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NEWS SUMMARY

GENERAL

Embassy siege troops testify

Two members of the SAS regiment yesterday told Westminster Coroner's Court of their involvement in the rescue attack which ended the six-day Iranian Embassy siege in London last May.

One soldier, identified by the letter "I," said he clubbed one terrorist to the ground with his rifle butt before his colleagues shot the man dead.

He was giving evidence at the resumed inquest on the five terrorists killed in the attack.

Stansted case

Expansion of Stansted Airport, Essex, to a capacity of 15m passengers a year would have a less severe impact on the environment than feared, says a British Airports Authority report. **Back and Page 5**

Sizewell step

The Central Electricity Generating Board has applied for permission to build Britain's first pressurised water reactor (PWR) nuclear power station at Sizewell, Suffolk. **Back Page; Bonn hopes to salvage A-scheme, Page 2**

Kania hits out

Polish Communist Party Secretary Stanislaw Kania accused leaders of the trade union Solidarity of turning it into a political opposition party. **Back Page**

Dutch reversal

The Dutch Parliament reversed an earlier vote and called for the Government to block the planned sale of two submarines to Taiwan. **Back Page**

Nobel nomination

Foreign Secretary Lord Carrington is among 60 candidates for this year's Nobel Peace Prize. Other candidates include Polish union leader Lech Walesa and former U.S. President Jimmy Carter.

Chirac to stand

Gaullist leader Jacques Chirac, former French Premier announced his candidature for the presidency. **Page 2**

Car plant row

French Industry Minister Andre Giraud criticised the British Government for backing the building of a Japanese car plant in the UK. **Page 2**

Farm attack

Detectives were investigating an arson attack at a North Wales farm—the third incident in two days.

Belfast bomb

A bomb started a fire in a Belfast office block. No casualties were reported.

Thatcher firm

Margaret Thatcher reaffirmed her economic strategy in the Commons, stressing she would not cut and run by reflating. **Parliament, Page 9**

S. Africa warned

General van den Bergh, former head of South African security bureau BOSS, warned that his Government's reformist policies were leading to racial confrontation. **Page 4**

Hot property

A Northamptonshire estate agent which held a three-day cut-price property sale last weekend claimed sales of £1.25m from more than 120 houses.

Briefly . . .

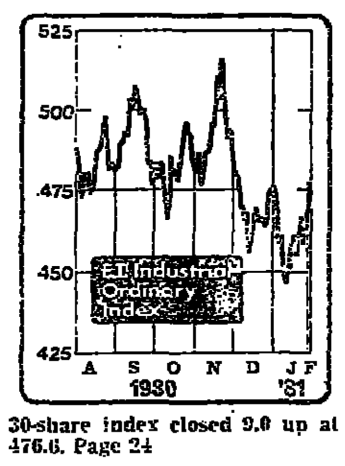
Mrs. Gro Harlem Brundtland is to become Norways' first woman Prime Minister.

Rolls-Royce's 1,000th production built RB2-11 engine went on test at the Derby factory.

BUSINESS

Equities advance; gold off by $8

● **EQUITIES** advanced on prospects of an MLR cut. The FT 30-share index closed 9.0 up at 476.6. Page 24



● **GILTS** also improved. The Government Securities index gained 0.13 to 69.39. Page 24

● **DOLLAR** was generally firm, closing at DM 2.1330 (DM 2.1205) and SwFr 1.9350 (SwFr 1.9210). Its trade-weighted index rose to 99.5 (98.6). Page 21

● **STERLING** gained 25 points to $2.3515. Its trade-weighted index eased to 104.0 (104.2). Page 21

● **GOLD** fell $8 to close at $488.5. Page 21

● **WALL STREET** was up 1.03 to 933.28 near the close. Page 22

● **CBI BUDGET PROPOSALS** include cuts of some £2bn a year in industry's costs. Back Page: Details, Page 7. Editorial Comment, Page 14

● **ALCAN** Aluminium of Canada, the Montreal-based group, is considering making an offer for over 10m shares in its UK subsidiary, Alcan Aluminium (UK). **Back Page**

● **PRIME RATE CUT** from 20 per cent to 19½ per cent was joined by most large U.S. banks. **Page 3**

● **TEL AVIV** Stock Exchange has been hit by a selling wave. **Page 4**

● **BRITISH AIRPORTS** International, the consultancy set up by the British Airports Authority and International Aeradio, has won a contract for the provision of a new international airport for Athens. **Page 4**

● **CARRINGTON VIYELLA**, the troubled British textile group, is to form a joint venture in warp knitting with Guilford Mills of North Carolina. **Page 6**

● **ELF AQUITAINE** and Total, two French oil companies, plan to spend about £1.5bn on the development of the North Alwyn Field in the UK sector of the North Sea. **Page 6**

● **UK RESERVES** of gold and foreign exchange rose to a record $28.39bn at the end of January. **Page 6**

● **BRITISH TELECOM** would be allowed to borrow directly from financial institutions under an amendment to the British Telecommunications Bill passed in committee stage. **Page 6**

● **PRESTIGE GROUP**, houseware manufacturer, reported pre-tax profits down from £6.17m to £5.67m for the year to end December. **Page 16**

● **UNITECH**, electronic component and equipment maker, reported pre-tax profits up from £1.99m to £2.39m for the half year to end November. **Page 16**

● **COWAN DE GROOT**, toymakers, reported pre-tax profits down from £1.28m to £0.84m for the half year to end October. **Page 16**

● **FRAMLINGTON** Unit Management launched the first unit trust to specialise in UK convertible loan stocks. **Page 16**

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Treasury 10½% 1999	£82	+ 1
Aeronautical & Gen.	355	+ 25
Associated Leisure	130	+ 4
Barratt Develpts.	172	+ 5
Beecham	179	+ 7
Brown (J.)	71½	+ 9
Caffyns	136	+ 6
Centreway Trust	115	+ 10
Cowie (T.)	33	+ 3½
Cullen's Stores	206	+ 12
Danks Gowerton	25	+ 6
Davies & Newman	110	+ 9
E.R.F.	47	+ 4
GEC	635	+ 20
Glaxo	274	+ 8
GUS A	493	+ 13
Lees (J. J.)	44	+ 7
Lond. Scot. Finance	60	+ 7
Plessey	294	+ 11
Prestige Group	131	+ 8
Robertson Foods	152	+ 4
Vinten	182	+ 8
Walker & Staff	25	+ 8
Ayer Hitam	285	+ 15
Berjuntai	280	+ 20

FALLS

Avon Rubber	81	− 7
Barclays Bank	385	− 9
Electrocomponents	665	− 15
Fisons	118	− 4
Peters Stores	90	− 8
Polly Peck	170	− 10
Reed (Austin) A	82	− 6
Unitech	231	− 21
Gd. Mines Kalgoorlie	340	− 10
Hauma Gold	112	− 10
Kitchener Mining	150	− 15
North West Mining	70	− 12

Reagan resurrects prospect of neutron bombs in Europe

BY DAVID BUCHAN IN WASHINGTON AND DAVID SATTER IN MOSCOW

THE U.S. said yesterday that it is "leaning towards" building the controversial neutron bomb to be based in Europe, reversing a decision to shelve the weapon by former President Jimmy Carter.

Such a move will almost certainly inspire a massive propaganda campaign from Moscow—aimed at dividing the U.S. and its European allies—and further worsen U.S.-Soviet relations. These have already taken a distinct turn for the worse in the first few days of the Reagan presidency.

The neutron bomb, deployed on ground-to-ground missiles or artillery shells, has increased radiation to kill enemy troops including those sheltered in tanks, but a reduced blast that does relatively little damage to property. It is a short-range weapon, of use only on the European front.

At his first Press conference, Mr. Caspar Weinberger the Defence Secretary recalled Mr. Carter's decision to postpone production of enhanced radiation weapons — the neutron bomb. He said postponement had caused consternation in West Germany and other allied countries, because Mr. Carter had first urged them to come out in favour of neutron deployment.

The U.S. has retained the capacity to build neutron bombs, and Mr. Weinberger said yesterday: "I think the opportunity that this weapon gives us to strengthen theatre nuclear forces is one that we very probably would want to make use of."

During his election campaign, Mr. Reagan frequently cited the neutron bomb postponement of April, 1978, as the prime instance of how the Carter Administration had alienated its allies by wavering on policy decisions.

But, should President Reagan decide to start producing neutron weapons for deployment in Europe, it is clear the U.S. will first have to consult its NATO allies closely.

Though Chancellor Helmut Schmidt of West Germany was angered by Mr. Carter's postponement decision, other European leaders may have felt let off an awkward hook by the decision.

Whether to accept U.S. nuclear weapons on their soil is an awkward decision for many European governments which have Left-wing groups in their coalitions or ruling parties. In addition, the neutron bomb's characteristics have received extensive bad publicity.

Urged on by the U.S. but with reluctance on the part of some European governments the NATO alliance agreed in December 1979 to go ahead without the neutron bomb, and to start deploying a new generation of tactical nuclear weapons in Europe — ground-launched Cruise and Pershing missiles.

These weapons are designed to counter the growing force of SS-20 medium range missiles that the Soviet Union has targeted on Western Europe.

At European insistence, the U.S. agreed to open talks with the Soviet Union on how these rival arsenals might be mutually scaled down. A first round of talks was held last October.

There was no immediate response from the Soviet authorities to Mr. Weinberger's statement and it may take a day for the Soviet Union to formulate its official position.

France, which enjoys good relations with the Soviet Union, has been testing a neutron bomb

Continued on Back Page

U.S. tax cuts will take effect before October

BY DAVID BUCHAN IN WASHINGTON

THE REAGAN Administration's planned tax cuts for individuals and business, to be presented to Congress later this month, will take effect in the current fiscal year, ending October 1, Mr. Donald Regan the Treasury Secretary, said yesterday.

In Congressional testimony he cleared up some, but not all, of the confusion surrounding the all-important timing of the intended tax cuts. He implied that discussion inside the Administration centred on whether some of the cuts should be backdated to January 1, or whether they should all take effect in mid-summer.

Timing of the tax changes has been the subject of dispute in the Administration. "Radicals" such as Mr. David Stockman, the Budget Director, want speedy tax relief as incentives to growth and productivity. But Mr. Paul Volcker, chairman of the Federal Reserve board, has argued that tax cuts should if anything follow rather than precede, spending cuts, if the Federal Budget deficit is not to spiral out of control.

Mr. Regan himself is somewhere in the middle, claiming that even if tax cuts are approved before spending reductions they will probably take effect about the same time. This is because his own Treasury Department might take up to two months to redraft changes to the tax code.

Meanwhile, the Congressional Budget Office yesterday gave legislators advice about where they might choose to wield the axe on public spending. In a report, the CBO, a non-partisan research arm of the Congress, listed about 105 areas in the Budget where up to $30bn-$36bn might be saved in 1981-1982.

The list was only a guide for Congressmen, and some suggestions, such as a $12bn saving in defence, are unlikely to be followed.

But the CBO made the point that half the Federal Budget is now consumed by transfer payments to individuals, such as pensions, welfare programmes and student loans, and that if this is left unchecked the budget would rise from around $740bn in 1981-82 to over $1,000bn in 1985-86.

Barclays to pay £25m for stake in Spanish commercial bank

BY ROBERT GRAHAM IN MADRID AND MICHAEL LAFFERTY LONDON

BARCLAYS BANK is to invest over £25m in acquiring a majority stake in a medium-sized Spanish commercial bank, Banco de Valladolid. The move, announced yesterday, follows three months of negotiations and is the biggest commitment by a foreign bank to Spain.

Barclays already has a branch in operation, established after the June, 1978, liberalisation of the laws governing the presence of foreign banks there. By acquiring a 63.2 per cent share of Valladolid, the bank is placed to become an important force in Spanish banking.

It is buying its stake from the Corporacion Bancaria, the so-called banking hospital set up jointly by the private banks and the Bank of Spain in spring, 1978, at the onset of the Spanish banking crisis. The purchase is costing Barclays only Pta 800m (£4m), but Barclays is also to inject Pta 4.05bn in new capital.

Valladolid has 38 branches throughout Spain, including all the major centres. It also has a large office block in central Madrid. The bank, which employs 640 people, has deposits of Pta 21bn (£108m).

The deal is the latest in a long string of Continental investments by Barclays, which have included acquisitions of banks and finance houses in virtually every Western European country.

At the same time Barclays has been expanding rapidly throughout the U.S. with acquisitions in the banking and financial services areas.

Mr. Laurie Cockburn, general manager at Barclays responsible for Europe, Africa and the Mediterranean area, said yesterday that the bank wanted to be as big as possible in all the important Continental countries.

"Where we can expand, to create a viable operation, we will. We are happy to go into anything financial."

Spain's economic importance and her proposed membership of the EEC were important factors in the acquisition of Valladolid.

Several of the more conservative Spanish banks fought hard to prevent the deal because it provides an important foothold in Spain. At the same time, other foreign banks which could have bid for Banco de Valladolid declined to do so.

They were concerned both about the bank's own difficulties and about the possibility that they would be used as a lever by the Spanish authorities to persuade a Spanish bank to buy.

As a preliminary to the new capital injection Banco de Valladolid will reduce its Pta 2.2bn capital by half. As a result of the Barclays deal Valladolid's outstanding debt with the Bank of Spain, thought to be over Pta 3bn through a special credit line set up in late 1978 when the Bank got into difficulties, will be repaid.

Of the six banks that the Corporacion Bancaria took responsibility for, only two are now under its control.

Spanish bankers believe Barclays' move could well be the beginning of much greater foreign involvement in Spanish banks.

Spanish banking is dominated by the so-called "big seven", which account for over 55 per cent of all deposits and slightly less of all credits. But in the 2½ years that foreign banks have been operating in Spain their share has risen from below 1 per cent of total deposits to just under 3 and nearly 5 per cent of total credits.

Bolsa, a subsidiary of Lloyds, and National Westminster are already operating in Spain. Midland, which has 25 per cent of a highly profitable finance house, is expected to have a branch operation by the middle of the year.

CONTENTS

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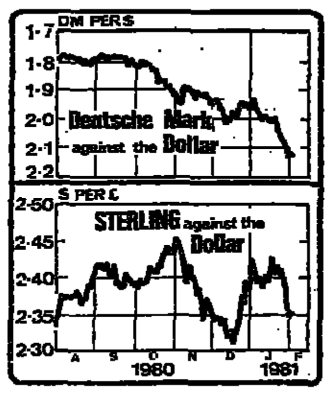


Bundesbank acts to aid D-Mark

By Stewart Fleming in Frankfurt and David Marsh in London

THE WEST GERMAN Bundesbank went on to the offensive to support the Deutsche Mark yesterday, stepping up its intervention as a new surge of funds into the dollar brought sharp swings to the foreign exchanges.

The dollar firmed at one point during the day to DM 2.16—around 20 pfennigs above its levels of the end of last year—and also rose strongly against sterling as expectations grew of a cut in Britain's Minimum Lending Rate.

But a combination of central bank intervention, profit-taking by dealers and rumours of tougher measures to defend the D-Mark depressed the dollar towards the end of the European trading day, and its drop continued in New York.

The dollar closed in London at DM 2.1330, about 3 pfennigs down from its high of the day, compared with DM 2.1205 on Monday. In early New York trading it fell to DM 2.11.

Sterling closed at $2.3515, completely recovering from earlier lows around $2.3250, and gaining 0.25 cents from Monday.

The Bundesbank sold $70m at the mid-session fixing in Frankfurt, taking the unusual step of announcing the sale as soon as the fixing opened. Dealers suggest it sold up to $500m supporting the D-mark during the rest of the trading day, which would certainly be the largest daily amount the central bank has ever spent supporting its currency.

The Bundesbank also acted to bolster the D-mark by forcing up domestic interest rates.

It supplied only DM 2.6bn in new liquidity through its planned repurchase agreements with the banks, effectively draining funds from the

Continued on Back Page

More big banks cut prime. Page 3
Money markets. Page 21
Lex, Back Page

Banks press ICL for new recovery plan after big loss

BY GUY DE JONQUIERES

ICL, Britain's troubled big computer manufacturer, is under strong pressure from its banks to draw up a detailed recovery strategy after disclosing yesterday that it lost more than £20m in the three months to the end of December, the first quarter of its current financial year.

The banks have pledged their continued near-term support. But they are understood to be insisting that the company presents more specific plans for solving its problems soon, in the light of management forecasts that the full-year loss will be much more than £20m.

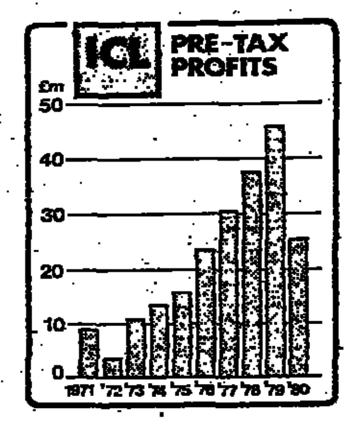
ICL, which had a turnover last year of £716m, employs more than 30,000 people, about 24,000 of them in Britain.

Mr. Philip Chappell, ICL chairman, did not reveal the precise figures for the first quarter. But he told shareholders in London yesterday that the loss was "in excess of" the £20m pre-tax for which ICL had budgeted.

He expected losses to continue into the second quarter, though at a slower rate, and hoped ICL would approach breakeven in the second-half, so that the full-year loss would be about the same as the first half.

Mr. Chappell blamed the same factors that he said, were responsible for the sharp drop in ICL's profits since the middle of last year. These were the recession, high interest rates and the impact of the strong pound on ICL's international competitiveness.

He was unable to give firm predictions for next year, emphasising that ICL's performance depended heavily on economic conditions worldwide, and particularly in Britain.



He said the rise in the company's borrowings in the first quarter was no bigger than in the same period last year. But, while stressing that cash conservation remained ICL's top priority, he shed no new light on plans to achieve this goal.

ICL's banks, with other City institutions, are believed to be dissatisfied with this lack of precision. Some would like to see more forceful measures to cut costs than those already announced, which include the shedding of 2,500 workers and the closure of one of the company's biggest plants.

Barclays, one of ICL's major banks, said yesterday it was well aware of the company's problems, but was satisfied it had enough unused borrowing facilities.

"Along with the company's other principal bankers, we are being kept fully informed so that we can respond appropriately as their plans for surmounting their problems develop," it said.

Lex, Back Page

Water pay offer raised

BY JOHN LLOYD, LABOUR CORRESPONDENT

WATER INDUSTRY employers yesterday increased their offer to 32,000 manual workers from 7.9 per cent to 10 per cent.

Officials of the four unions were considering the offer last night, and will resume talks with the National Water Council today. The union officials gave no indication of whether or not they would accept the offer. Some 90 per cent of the union's members voted for industrial action after the earlier offer.

Mr. Eddie Newall, leader of the union side, said after the three-hour meeting that "as far as we are concerned the employers are presenting us with their final offer. We want to give it serious consideration."

The deal would bring average earnings from £108.49 to £119.41. It adds £16m to the £160m wage bill and would raise water rates by 0.8 per cent.

The fundamental difference between the present offer and the former one, also described as final, is that a 9.9 per cent increase in basic rates is now translated into a concomitantly large increase in shift and bonus payments.

£ in New York

—	Feb. 3	Previous
Spot	$2.3435-3445	$2.3590-3610
1 month	0.55-0.65 pm	0.60-0.70 pm
3 months	2.15-2.35 pm	2.15-2.25 pm
12 months	6.00-6.20 pm	5.60-5.80 pm

Chirac joins candidates for French presidency

BY ROBERT MAUTHNER IN PARIS

JACQUES CHIRAC, the 48-year-old leader of the Gaullist RPR party and Mayor of Paris, yesterday announced his candidacy for the French presidential elections, due to be held in two rounds in April and May.

M. Chirac thus becomes the third important party leader to enter the race, following M. Georges Marchais, secretary-general of the Communist party, and M. François Mitterrand, the Socialist candidate. It only remains for President Giscard d'Estaing to announce his candidacy for the battle lines to be fully drawn, but this is not expected to happen until the beginning of March.

M. Chirac has tried to keep the country guessing about his intentions for the past year, but his announcement comes as no surprise. Ever since he resigned in August 1976 as Prime Minister, following a much-publicised row with President Giscard d'Estaing over the Premier's powers and the ruling coalition's electoral strategy, it has been taken for granted that he had his eyes on the presidency.

M. Chirac: plea for stronger France

A protégé of President Pompidou, who used to describe him as his "bulldozer," M. Chirac has had a meteoric political career. Before becoming Prime Minister at 41, he held several ministerial portfolios, including the key ones of the Interior and Agriculture.

But his driving ambition and outspoken manner have made him many enemies both outside and inside the Gaullist party. From his party's point of view, M. Chirac's most disruptive action was to support M. Giscard d'Estaing in the 1974 presidential election, instead of the official Gaullist candidate, M. Jacques Chaban-Delmas.

The result is that, in addition to the main candidates, M. Chirac will be facing two independent Gaullists in the presidential election—M. Michel Debré, a former Prime Minister under General de Gaulle, and Mme Marie-Frans Garaud, a political adviser to both M. Pompidou and M. Chirac.

In a statement yesterday M. Chirac implicitly criticised the President's policies. France's influence in world affairs was becoming weaker and its economy was shaky, he said. The ambition and will to assert the country's position were lacking.

Bonn hopes to salvage N-scheme

BY ROGER BOYES IN HAMBURG

THE Bonn Government's nuclear energy programme has been dealt a sharp blow by the decision of the Hamburg regional Social Democratic party to end participation in a nuclear power plant about 40 miles away and designed to serve the city.

Late on Monday night the Hamburg branch of the party followed the advice of the city's mayo, Herr Hans Ulrich Klose, and voted against continued 50 per cent participation in the plant at Brokdorf, in the neighbouring state of Schleswig-Holstein.

The final decision on participation now rests with the Hamburg Senate (government), but Herr Klose made clear yesterday that although there is a slight Senate majority in favour of Borkdorf, it would have great difficulty defying the party grass roots. The Senate will make its decision in a fortnight's time.

This leaves the Bonn coalition in difficulties when it is already having trouble with the Left wing of the Social Democrats. One dissident SPD politician, Herr Karl Heinz Hansen, faces possible expulsion or suspension from the party on Friday after sharply criticising Chancellor Helmut Schmidt.

There are also strains between the SPD and its coalition partner, the Free Democratic Party.

Herr Alfons Pawelczyk, the Hamburg Interior Minister, pointed out yesterday that the city's decision could set an important precedent for other nuclear stations. Under the Social Democrats' programme, nuclear reactors currently under construction are to be completed provided a satisfactory decision has been reached about how to dispose of the nuclear waste.

Nuclear power is officially regarded by the party as a transitional source of power to fill in the energy gap for 30 years. In Brokdorf's case, Lueneburg port has set conditions for the disposal of nuclear waste which seems to have been met. Thus in terms of party policy there is no reason for the Hamburg SPD to withdraw from Brokdorf.

If other regions decide to withdraw from nuclear plant projects— nine are under construction — Bonn's plans to diversify its energy dependence away from oil are sure to suffer.

With Brokdorf, Bonn is evidently pinning its hopes on two possible developments: that the city Senate will overturn the decision of the regional party, or that the Hamburg electrical utility (HEW) will refuse to withdraw from Brokdorf. HEW is contractually bound to Brokdorf until 1993.

If neither of these solutions comes about Bonn will encourage another electrical utility in Lower Saxony, a subsidiary of Veba, the State-owned oil concern, to step in.

The arguments that swayed the Hamburg SPD were regionally orientated, but took note of national considerations as well. Brokdorf, it was pointed out, would mean that Hamburg was over 70 per cent dependent on nuclear-produced electricity. "How can we encourage energy saving when we blindly push ahead with nuclear power that may well prove to be superfluous to our needs?" Herr Klose asked.

Mrs. Brundtland: "politics needs women's values"

Norwegian Labour chooses woman PM

By Fay Gjester in Oslo

THE LEADERS of Norway's ruling Labour Party yesterday chose Mrs. Gro Harlem Brundtland, 42, as their new Prime Minister. She succeeds 58-year-old Mr. Odvar Nordli, who is resigning because of ill-health.

Mrs. Brundtland, the first woman to be Prime Minister in Norway and the first in any Scandinavian country, will take office today.

The change of government is not expected to signal any major shift in Norwegian foreign or domestic policies. The party faces a general election in the autumn.

Mr. Reiulf Steen, the Labour party chairman, said the decision to choose Mrs. Brundtland, a doctor and mother of four, was unanimous in the central executive, national executive and parliamentary group.

He denied reports that many top people in the party and TUC would have preferred the job to go to Mr. Rolf Hansen, 61, the Environment Minister and former Defence Minister.

Mrs. Brundtland, a former Environment Minister, has been perferred to Mr. Hansen despite her relative youth and limited political experience. She is thought to have a better chance of reuniting a divided party and even leading it to victory in September despite Labour's discouraging performance in recent opinion polls.

Mrs. Brundtland said she regarded winning the forthcoming elections as the most important immediate task. Another goal would be to provide "work for everyone" including women, older workers, and the handicapped.

Three ministers are resigning —those of justice, trade and industry. Mrs. Brundtland has chosen a woman, Mrs. Kari Gjesteby, as her new Trade Minister, boosting the number of women in the Cabinet from two to four.

Mrs. Brundtland, the daughter of a former Labour Cabinet minister, first became politically active in the Labour Party's youth movement, where she campaigned for abortion law reform.

She was only 36 when she was given her first Cabinet post—as Environment Minister in the government of Mr. Trygve Bratteli in 1974.

Mrs. Brundtland is a convinced feminist, who believes women should make the effort to go into politics because "politics needs women's values." She said yesterday that if circumstances had allowed, she would have liked to see more women on her team, but with general elections coming up in September she had to give priority to preserving continuity in the government.

Swedish workers settle for 2-year deal

By William Dullforce in Stockholm

SWEDEN'S employers and blue-collar unions agreed yesterday on a modest two-year pay settlement which could help to halt the country's recent economic slide. The Government is expected to follow today with the announcement of new measures to reduce the budget deficit.

Yesterday's agreement will give some 900,000 private sector workers an average pay rise of 7.1 per cent over the next two years with low-paid workers benefiting most.

In addition workers will be *compensated for price increases* exceeding year-end to year-end thresholds of 8.9 per cent this year and 6.5 per cent in 1982. They will be paid 65 per cent of the difference between the threshold and the higher price level at the end of the year, but increases in oil and petrol prices are to be excluded.

The blue-collar unions' federation had asked for an average wage increase of 10 per cent in 1981 alone. The employers' counter-offer was 4.5 per cent over two years.

In a joint statement the employers and union federation said their agreement should dampen inflation and improve both the international competitiveness and investments of Swedish companies.

Reaction from the Government, industrialists and bankers was generally favourable. The krona continued to strengthen on the forward exchange markets and the industrial shares index on the Stockholm Stock Exchange rose by more than seven points.

Mr. Thorbjörn Fälldin, the Prime Minister, said that the two-year period of the pay agreement gave industry the opportunity to go on the offensive and to expand output. Mr. Gösta Bohman, the Economy Minister, said the new wage level would not better Swedish industry's competitiveness this year but could bring an improvement in 1982.

The question is to what extent the Government can go ahead with plans to reduce price and housing subsidies as part of its spending cuts.

It is also important that pay settlements in the public sector should not be higher than those agreed by the private blue-collar workers. Mr. Olof Johansson, the "Wages" Minister, was due to make a firm offer to the four public sector unions last night.

Events on the Swedish labour front this year contrast starkly with those of 1980, when the public sector unions got in first with their wage claims and precipiatated Sweden's biggest industrial dispute in May.

German jobless total rises 17%

BY JONATHAN CARR IN BONN

UNEMPLOYMENT in West Germany has reached its highest level for nearly five years, bringing renewed demands that the Government and Bundesbank act to try to boost economic growth.

The Federal Labour Office in Nuremberg reported yesterday that the jobless total in January was 1.3m, a rise of 17 per cent on December and of 26.2 per cent on January, 1980.

The new figure means an unemployment rate of 5.6 per cent compared with one of 4.5 per cent a year earlier. The rate in North Rhine-Westphalia, the country's most populous state, has now reached 6 per cent, a level last equalled there 26 years ago.

The number of those on short time also shows a sharp rise, by 44,500 from December to a total of 401,508 last month. Job vacancies fell by 1 per cent

The severe winter weather is one reason given for the rise in the total. But it is also clear that the marked slowdown in overall economic growth is the overriding factor and is likely to remain so in the coming months.

The social policy spokesman of the ruling Social Democrat Party said it was clear there was no reasonable alternative to an "expansionary economic policy." He said that efforts being made now to save costs on measures to create jobs would simply mean still more jobless later. That meant more unemployment payments and less tax revenue.

The Government has ruled out state measures to boost the economy of the kind it took in the 1970s. It maintains that the causes of unemployment, including higher energy costs and faster structural change, do not respond to the old prescriptions.

However, a law will be introduced in the summer to encourage housing construction, thus giving a boost to the flagging building industry. It also seems certain that federal expenditure will grow faster this year than the 4.1 per cent so far officially given in the budget estimates.

Much depends on when the general level of interest rates falls in West Germany, and this depends largely on the trend of rates in the U.S.

Almost no one expects the Bundesbank to cut its key rates soon, let alone during the meeting of the central bank's council in Frankfurt tomorrow.

In a speech in Stuttgart yesterday, a senior official of the Bundesbank said it was "more than questionable" whether a cut in interest rates and new state spending programmes could overcome current economic difficulties.

Dr. Leonhard Gleske, a member of the Bundesbank directorate, warned that faster economic growth now would bring increased imports which could probably not be compensated for immediately with a marked boost in exports. The result could be a growing current account deficit and further decline of the Deutsche Mark.

Call for end to steel subsidies

BY OUR BONN CORRESPONDENT

THE WEST German Government should press for removal of all national State subsidies to the European steel industry by mid-1984, according to a report now before the Economics Minister, Count Otto Lambsdorff.

The report has been prepared support introduction of a special programme, financed through the European Community's *regional fund, to help restructure* areas still dependent on outmoded steel manufacturing processes.

The report hash been prepared by a committee of experts which has only advisory status to the Ministry. But the trend of its arguments on the problems of the European steel industry is known to be shared by Count Lambsdorff himself.

It is thus likely that some of the recommendations will be advanced by the Government, when the EEC member States consider what to do when the compulsory steel production curbs expire in mid-year.

The West Germans agreed with great reluctance last October to establish the curbs regime and Count Lambsdorff stressed that there must be no renewal of its beyond the end of June this year.

The report stresses that a production quota system, such as the European Commission is now administering, not only reduces the international competitiveness of the European steel industry but also undermines the efficiency of steel-dependent sectors like mechanical engineering.

It also rules out efforts to curb steel imports from non-EEC countries, stressing that this would simply slow the essential restructuring of hte industry in Europe. It notes that Europe is still a net exporter of steel. Protectionist steps would thus incite damaging counter-measures.

The report sees the answer in a far faster transformation of European production to take account of new technology and to capture new markets. In its view this can only imply removal of national subsidies as demanded in Article Four of the European coal and steel treaty.

Recognising that a sudden removal of subsidies could bring serious political problems in some member States, the report proposes a transitional phase of three years from mid-1981. Even during that period the European Commission should have the right of veto over national measures.

Nissan plan angers the French

By Terry Dodsworth in Paris

FRANCE'S Industry Minister, M. André Giraud, accused the British Government yesterday of a lack of "Community solidarity" in deciding to back the establishment of a Japanese car plant in Britain.

M. Giraud said that the British decision was difficult to understand given the excess vehicle production capacity already installed in Europe. France would be watching closely to see whether financial aid given to Nissan to help with its investment was unacceptable.

M. Giraud's remarks, made in a radio interview, were the first comments from a senior French Minister since the Japanese project was announced last week. His intervention coincided with a detailed statement from the French vehicle manufacturers' association, which took an equally tough line.

The manufacturers made it clear that they would only support the agreement if virtually all the components to be used in the Japanese car were made in Europe.

The association added that Nissan vehicles made in Britain should replace direct Japanese exports. Japanese sales in Europe were already excessive and endangering the European industry.

European car-making capacity was already sufficient and further investment threatened to waste money to the detriment of the EEC, the statement added. The Community ought to watch the situation closely, especially if the Japanese investment was to benefit from Government subsidy.

The French vehicle manufacturers do not appear to have any clear plan to question the project at a European level. But the strength of their reaction is evidence of the impact of the Japanese sales drive in Europe. Renault threatened recently to stop further investment at its plant in Belgium if no measures were taken by the Government to limit Japanese imports.

After a difficult year in 1980, the French industry is not expecting an improvement until the middle of this year. Manufacturers have introduced short-time measures and Renault will be affected this month for the first time during the present crisis.

Forlani takes heat out of terror row

BY RUPERT CORNWELL IN ROME

ITALY'S Prime Minister, Sig. Arnaldo Forlani, yesterday appeared to have papered over divisions in his fragile four-party coalition, which has been close to breaking point over the issue of the international links with the terrorists who plague the country.

In a speech to Parliament, tailored to reconcile the differences between the Government partners, Sig. Forlani admitted the existence of "suspicious and circumstantial evidence" that foreign states might be implicated in subversive violence inside Italy.

This evidence might give rise to "inferences and deductions" at a party political level, but ones which no Government could state officially without consequences on its relations with those states. All he would say was that the Italian secret services had accumulated evidence suggesting that Italian terrorism might be fomented and exploited by "organs of foreign states."

It was logical, the Prime Minister argued, that a country like Italy, of immense strategic importance, of strained social structure and with a weak central authority, might be the target of manoeuvres aimed at destabilisation.

But he again could, or would, offer no proof. Instead Sig. Forlani promised to continue the battle to stamp out terrorism and to maintain close collaboration with other western Governments to bring its international ramifications to light.

The Prime Minister offered no new insight. It is common knowledge here that the various left-wing and right-wing terrorist groups have on occasions worked in harness with their counterparts in Spain, France and elsewhere.

The latest controversy, which at one stage seemed to be about to topple the three-and-a-half-month coalition of Christian Democrats, Republicans, Socialists and Social Democrats, stems from an interview given to French television last month by President Sandro Pertini.

The president, implicitly, *accused the Soviet Union of* abetting and fostering terrorism in Italy, to which the Kremlin replied with a note of protest delivered to the Italian ambassador in Moscow.

The issue was seized on, particularly by the Social Democrats and Socialists who demanded that the Government disclose what it knew about East Bloc manipulation of Italian extremists. They accused the Christian Democrats of covering up evidence, to avoid embittering ties with the opposition Communists party still further.

Sig. Forlani seems to have satisfied everyone, for the time being. But his Government seems fated to suffer further buffeting, as the jockeying for position ahead of possible general elections this summer goes on.

Big fall in EEC farm incomes last year

BY LARRY KLINGER IN BRUSSELS

FARMERS' INCOMES in the European Common Market fell substantially last year, according to a report by the European Commission published yesterday.

The Commission's preliminary estimates point to a 7 per cent drop in net earnings, and officials said that a final figure will be nearer 9 per cent. EEC farmers' organisations claim that the true figure for the decline is more than double at 18.4 per cent.

The Commission also says in its 1980 report on the agricultural situation in the community that the disparity between richer and poorer agriculutral regions has continued to widen, and that enlargement of the Community to 12 is likely to increase the problem.

On consumer prices, the Commission confirmed estimates that EEC-wide rises for agriculture produce were an average 5.7 per cent for the 1980-81 marketing year. It contrasted this with a general rise in inflation last year of 13.7 per cent.

Farm price dliemma, Page 23

Belgian merger under scrutiny

BY GILES MERRITT IN BRUSSELS

THE competition authorities of the European Commission have decided to involve themselves in the Belgian steel industry which has recently been reduced to near-paralysis.

Mr. Willy Claes, Belgium's Economic Affairs Minister, has been called to talks today with Mr. Frans Andriessen, the Dutch Commissioner in charge of competition policy. They will discuss proposals for merging the two largest Belgian steelmaking groups, Liege-based Cockerill and the Triangle group of Charleroi.

The competition authorities clearly believe that any deal that would create a new combine responsible for two-thirds of the country's steel output should be scrutinised. But with the combined losses of the two groups running at BFr 12bn (£152m) there seems little prospect of any "abuse of dominant position."

A steelworkers' strike declared over the merger plan last week by Cockerill's militants in the Liège region has been suspended this week after the strikers won concessions from the management and Government.

The merger was to be based on rationalisation of the two steel groups that could cut their combined capacity by 20 per cent to 8m tonnes a year. But the trade union action in defence of the 2,000-4,000 jobs that would have been lost seems to have led to a climb-down.

The planned continuous casting complex at Liège is no longer to be scrapped, and it appears that a similar investment at the modern Sidmar steelmaking plant in Ghent has been given the go-ahead.

Spain tries to make the leap to high technology

BY ROBERT GRAHAM IN MADRID

DEEP IN negotiations with the British Aircraft Corporation for a major contract to buy Rapier missiles, the Spanish Government is manoeuvring nimbly in the hope that it will emerge with much more than a sophisticated rocket to stiffen its air defences.

More important in the longer term is the need to plug the voids in its technological armoury. Thus, in the Rapier deal and most other negotiations for military hardware, INI, the state holding company which controls most of Spain's armaments industry, is bidding for a share of manufacture rather than a one-off transfer of technology.

Until now, Spain's inferior technology and limited awareness of technological development have made it extraordinarily dependent on foreign suppliers.

A recent report from the Spanish Employers' Federation highlighted Spanish technology's plight, concluding that Spain is the most technologically dependent of all industrialised nations. "Industrialists in Spain invest the equivalent of only half of what they spend on buying technology from abroad," according to the report.

Spain's commercial competitors like West Germany, France and Japan, on the other hand, invest in their own technological development "some five times the value of the technology they import, which means that our country is making only a tenth of the effort they are . . ."

Buying the Rapier missile might be one way for Spain to raise its technological capability.

This and other statistics speak for themselves. According to the employers' federation, Spain uses the lowest percentage of domestic patents of all major industrialised countries. In Spain, only 21 per cent of patents are produced locally, compared with 40 per cent in the UK and 50 per cent in West Germany. In Spain, payments for royalties and licences of imported technology are equivalent to 3.6 per cent of gross domestic product compared with 1.7 per cent in the UK and 0.14 per cent in the U.S.

At the same time, Spain spends only 0.3 per cent of its gross domestic product in research and development, while the UK spends 2.05 per cent, West Germany 2.07 per cent and the U.S. 2.49 per cent. Spain now spends almost $450m a year on royalties and licences, a figure which has more than trebled over the past decade.

The deficit on technology payments, almost $350m, is increasing, and since royalties are based on sales the deficit would widen rapidly if the four-year-old recession bottomed out.

Indeed, the prospect of such a sharp increase in payments for foreign technology, if and when the economy picks up again, is what really concerns the employers' federation. Its report shows an essential difference between now and the 1960s and 1970s.

Spain then needed large amounts of foreign technology to promote economic development. In fact, the employers' federation believes that had Spain opted to work with indigenous technology, the industrial boom of the 1960s would never have happened the way it did. But while it gave Spain an industrial base, its strengths were strictly limited.

For the strength of industry depended on imported technology combined with high external tariff barriers and cheap domestic labour. With the prospective dismantlement of such tariffs when Spain enters the European Community and a sharp rise in labour costs over the past four years, such considerations no longer apply.

In short, Spain was interested in economic development at all costs and ignored longer-term considerations of developing indigenous technology. Both the Government and the private sector are to blame for this state of affairs, according to the employers' federation. The industrialists have preferred the easy way out: unco-ordinated purchases of foreign patents or poorly controlled foreign investment.

The Government, for its part, did little until 1973, when controls were established, to check the scale and content of foreign technology purchases. At the same time the Government failed to stimulate local research and development. A technology commission, under the aegis of the Prime Minister's Office, could provide interest-free loans for projects submitted.

However, it took over a year for proposals to be considered and only some 30 per cent were accepted, usually with less than 50 per cent of the funds provided by the Government. Industrial Technology Commission has been trying to remedy some of these defects, but the Government still provides no more than Pta 400m (£2m) a year for research and development.

Of this, 25 per cent is for nuclear energy research and 5 per cent for energy research as a whole. Agriculture, on the other hand, a prime resource, receives only 10 per cent of total research and development expenditure.

The employers' federation criticises the state, and its institutions, for failing to make adequate use of its technological potential. It also criticises the poor fiscal incentives for research. These are now tax-deductible, but no qualitative distinction is made.

The employers' federation also believes the industrialists themselves make insufficient use of state facilities. More important, the federation feels that the prospective clients on whom Spanish companies could base new products have until now remained too disparate.

For instance, little attempt has been made to co-ordinate the civilian and military purchasing requirements for telecommunications equipment: This has complicated the national manufacturers' task both in standardising models and competing for individual orders. Also, large civil engineering contracts in say the chemical or steel sector, had tended automatically to go to *multinational companies or* their Spanish subsidiaries. Little effort has been made to develop national skills.

The first change has come in military orders, with INI realising the enormous potential in raising the level of national technological input. However, some distinguished economists believe it is already too late for Spain to make the leap to high technology.

The King greeting Basque political leaders yesterday.

Cool reception for King

VITORIA — King Juan Carlos had a chill reception yesterday during his first official visit to the troubled Basque country.

One of the three Basque provincial capitals and seat of its autonomous government, Vitoria received the royal visit *with a marked lack of enthusiasm*. There were no flags, no welcoming banners and no crowds lining the streets.

Freezing fog delayed the arrival of the King and Queen for nearly an hour and when their aircraft touched down at Vitoria airport, a small group of about 20 left-wing Basques started to sing a nationalist song. The demonstration was snuffed out by about 100 well-dressed women waving Spanish flags and shouting: "Long live the King."

Several hundred people heavily guarded by police gathered outside the official residence of the Basque Lendaraki (Premier) when the royal couple arrived.

Police later fired rubber bullets into the air to break up a group of about 100 left-wing demonstrators shouting "Long live ETA" (the Basque terrorist organisation).

Reuter

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Trudeau calls for Thatcher to confirm his version of talks

BY OUR FOREIGN STAFF

WHITEHALL has been angered by a call from Mr. Pierre Trudeau, the Canadian Prime Minister, for Mrs. Thatcher to confirm his version of their meeting in London last June on proposed changes to the Canadian constitution.

Mr. Trudeau: cross-questioned

But the British Government is anxious to remain as neutral as possible in Mr. Trudeau's dispute with the Canadian provinces over the constitution. Mrs. Thatcher yesterday refused to comment on the issue when it was raised in a Commons question.

Mr. Joe Clark, the Canadian opposition leader, cross-examined Mr. Trudeau on Monday on two claims he had made. These were that he told the British Prime Minister of the possibility of provincial opposition to his constitution package, and that Mrs. Thatcher had said the British Parliament had no choice but to pass changes requested by the Canadian Parliament to the British North America Act, which is Canada's constitution.

Mr. Trudeau told the Canadian commons: "I can only say that until Mrs. Thatcher is prepared to say to the contrary, my word must stand. If she says she will not comment because she will not reveal a confidence, I hereby authorise her to say the contrary, if it is true."

Mr. Clark also questioned Mr. Trudeau about a meeting in Ottawa in December with Mr. Francis Pym, now Leader of the House at Westminster.

Mr. Clark apparntly had detailed documents concerning the Trudeau-Pym meeting, which he said later were based "on Canadian information." However, some Liberal MPs suspect that Mrs. Thatcher's Conservatives have leaked information to the Conservatives in Ottawa.

The British Government is coming under backbench pressure, largely from Conservatives, not to act until the Canadian courts have ruled on actions brought by six of the Canadian Provincial Governments.

Westminster MPs have been subject to an intensive lobbying campaign by Provincial Premiers and ubsiness interests, as well as by representatives of ethnic minorities.

The all-party Select Committee on Foreign Affairs, in a report published last week, rejected Mr. Trudeau's argument that the British Parliament had a duty to accede automatically to his Government's request to repatriate the constitution.

Why the U.S. changed tack in El Salvador

BY DAVID BUCHAN IN WASHINGTON AND HUGH O'SHAUGHNESSY IN LONDON

IN EL SALVADOR the last acts of a war which flared up half a century ago are being played out. The Left is attempting to gain power, claiming to speak for the mass of the 5m people of El Salvador, a densely populated cotton- and coffee-growing country the size of Wales.

It aims to swing the balance of advantage away from a deeply entrenched oligarchy, traditionally represented by the "Fourteen Families," towards the less privileged majority, many of whom live in the direst poverty.

The U.S., which a year ago appeared to be backing an emerging reformist *movement* of senior officers and civilian politicians, has seen its hopes of reform dashed. Today it is aligning itself more and more with a beleaguered right-wing government.

As left-wing guerrillas boldly forecast their imminent victory, atrocities and bloodshed become hourly occurrences. The past year's victims have included Archbishop Oscar Romero of San Salvador, shot while saying mass, four U.S. women and two U.S. lawyers. The death toll in the past year is more than 10,000.

Every morning bodies are found by the roadsides, even in the centre of the capital. They often bear the marks of torture. Few places are safe—last month three people were murdered in the dining room of the Sheraton Hotel.

The murdered American women, three of them nuns, were kidnapped on the road between San Salvador's new international airport and the city. Since then, journalists and the few foreign businessmen still visiting the country have usually hired light aircraft to fly from the international airport to the old Ilopango airport, eight miles from the capital.

Washington is in the midst of switching its policy towards Central America: from Mr. Jimmy Carter's effort to align the U.S. with the more "social democratic" forces for change to Mr. Ronald Reagan's pledge to return U.S. support to its traditional anti-Communist and mostly Right-wing allies.

The first diplomatic casualty of this policy change is Mr. Robert White, the U.S. ambassador to El Salvador, who was fired this week.

Mr. White, a cereer diplomat with long Latin American experience, was a symbol of the Carter Administration's policies. He insisted that the Salvadorean junta deserved U.S. aid only if it cracked down on Right-wing gunmen and redressed the *imbalance* in land ownership which has given Left-wing guerrillas wide popular backing.

Landless peasants could be said to have started the bloodshed in 1932 when, squeezed by the growing dominance of the rich coffee growers, they launched a revolt which foundered in bad planning and chaos. In a terrible aftermath, the dictator of the day, Gen. Maximiliano Hernández Martinez, massacred perhaps 20,000 country people. Since then, and despite a growing gap between rich and poor, the Left did not rise in arms again for decades.

The Fourteen Families, who controlled the land and many of the nascent industries, sought successfully to protect their position by the sort of electoral fraud and political manoeuvring which kept the government in their hands.

The political volcano was dormant rather than extinct, however, and in the 1970's Marxist-Leninist guerrillas started campaigns of kidnappings, ransoms and bank robberies to obtain funds

They were bitterly divided on sectarian issues and mutually hostile and, while being anti-U.S., generally dismissed what they saw as a slow-moving Soviet Union.

The overthrow of Gen. Anastasio by the Sandinistas in neighbouring Nicaragua in 1979 boosted the morale of the Salvadorean Left and encouraged them to begin burying their intense mutual hostilities. They had, after all, seen how Gen. Somoza's overthrow had been achieved only when the Nicaraguan guerrillas started to act in full concert and had allied with civilian representatives of the moderate Left and the centre.

A young Salvadorean cries in a corner of her home after her father was killed by guerrillas.

It was not only the guerrillas who drew their lessons from Nicaragua. Many moderate Salvadoreans pondered over Gen. Somoza's overthrow and decided it was time to reform their own system, which a few years before had brought General Carlos Humberto Romero to the Salvadorean presidency in particularly fraudulent elections.

General Romero was overthrown in October 1979, reportedly with Washington's help. The colonels who overthrew him recruited the moderate Christian Democrats and the Social Democrats to a junta which pledged to work for a more just and politically cleaner Salvador.

Tragically, hopes that this civilian-military junta could produce quick and effective reform foundered on its own divisions and on the intransigence of a Salvadorean establishment unwilling to make political compromises with the centre. As a result the Social Democrats and many Christian Democrats quit the junta in disgust a year ago, and painfully worked out a *modus vivendi* with the increasingly united and disciplined guerrillas. This led to the formation of the Revolutionary Democratic Front, which hopes to repeat the Sandinistas' success.

Some Christian Democrats preferred to stay with hard-line elements in the army and oppose to the death the coali*tion of guerrillas and the* moderate Left which had grown up. In this they were backed by a U.S. Government which is fearful of anyone who has a *modus vivendi* with the guerrillas.

President Reagan has never bidden his concern about what he sees as creeping Communism in the U.S. "backyard" of Central America and the Caribbean. His Administration believes Mr. Carter's policies seriously weakened pro-U.S. elements, distracting them with human rights and economic reforms.

Proof of this is said to be evidence — ironically first pointed out publicly by Mr. White — that Nicaragua, a recipient of U.S. aid, has been helping the Salvadorean guerrillas against the U.S.-backed junta. Conservative U.S. Senators, like Mr. Jesse Helms, have now called for Nicaraguan aid to be cut off, and that is likely to happen.

The Reagan Administration says it has still not completed its review of Central American policy. This is partly because no one has yet been found to fill the top Western hemisphere policy job at the State Department.

But U.S. policy will derive much of its tenor from appointments already made: Mr. Roger Fontaine, a conservative who is now Latin American specialist on the National Security Council: Mrs. Jeane Kirkpatrick, the U.S. ambassador to the United Nations, who has voiced a strong concern that the "Castroite tide" in Central America and the Caribbean be turned: and from Mr. Alexander Haig, the Secretary of State and former commander of the Atlantic Alliance.

Last month, in a reshuffle of the Salvadorean junta, Sr. José Napoleón Duarte, a former mayor of San Salvador and leader of one Christian Democrat faction, emerged as President, but effective power is undoubtedly still wielded by *military* hardliners and the shadowy vigilantes of the extreme Right.

Under the leadership of the principal Social Democrats in the revolutionary front, Sr. Guillermo Manuel Ungo and Sr. Héctor Oqueli, the Salvadorean opposition has gained sympathy and support in Western Europe, and some sectors of opinion in the U.S., Latin America and elsewhere. The revolutionaries and the U.S. government have had a series of talks in London, Washington and Central America, but Washington has nevertheless stepped up its *military support for the junta* and continues to paint the revolutionaries, somewhat inaccurately, as a gang of extremists.

But there are limits to how far back Mr. Reagan can turn the clock. A further brake may be Mr. Reagan's desire for close relations with Mexico, whose President Jose Lopez Portillo he made a special point of meeting even before entering the White House. Mexico has long retained links with Cuba, for instance, and supports the political left (although not the guerrillas) against the Salvadorean junta. If Mr. Reagan listens to President Lopez Portillo, he will not pursue too headlong an anti-Communist line in Central America or the Caribbean.

Big U.S. banks join cut in prime rate to 19½%

BY DAVID LASCELLES IN NEW YORK

MOST OF the largest U.S. banks *cut their prime rate from 20* per cent to 19½ per cent yesterday, joining the handful of banks, including Citibank of New York, which moved there last week.

Those moving yesterday *included* Morgan Guaranty, Manufacturers Hanover, Chemical Bank and Wells Fargo. The surprise odd man out was Chase Manhattan, which stuck at 20 per cent even though it is usually at the forefront of prime rate moves.

The foot-dragging decline in the prime reflects the banks' keenness to re-establish the spreads that narrowed when the prime was heading up. It also stems partly from uncertainty facing credit markets this week.

The federal Government's open market committee, which sets credit policy, was holding one of its secret monthly meetings yesterday, and there is speculation over whether it will allow short term rates to decline slightly or, more likely, hold them where they are.

Argentine devalues peso as payments deficit grows

BY HUGH O'SHAUGHNESSY

THE ARGENTINE peso was devalued from 2,050 to 2,300 to the U.S. dollar from yesterday as part of the efforts by the Government of Gen. Jorge Videla to tackle growing balance of payments problems.

The current account deficit is estimated to have grown from $449m in 1979 to $4,540m last year. This week's devaluation will have the effect of giving greater rewards to exporters, restraining imports which last year rose by some 50 per cent to $9bn and dampening the Argentines' appetite for foreign travel.

At the same time, the move is likely to make the task of further controlling domestic inflation more difficult. Last year inflation was brought down below 100 per cent for the first time since 1974. The consumer price index rose only 87.6 per cent last year.

The fight against inflation is also likely to be made difficult by this year's budget which, despite heavy pruning, foresees a deficit equivalent to 2.9 per cent of the Gross National Product if the economy grows, as scheduled, at between 4 and 5 per cent.

Announcing the devaluation on Monday night, the Government said that it had been agreed by Gen. Roberto Viola, who takes over the presidency from Gen. Videla on March 29.

Further sizeable devaluations of the peso are expected once he takes over. Gen. Viola's team is thought to consider the peso still greatly overvalued. Despite 90 per cent inflation last year the peso dropped only 23 per cent of its value vis-à-vis the dollar.

The Government is expecting some relief from balance of payments pressure this year with a big increase in export earnings from cereals. According to Sr. Juan Dumas, the Under-Secretary for Foreign Trade, the cereal crop should rise 22.5 per cent in the 1980-81 crop year. The value of exports, he said, should go up by 50 per cent to $4.5bn as compared to the previous year.

Mr. William Clark

Reagan man fails foreign policy quiz

By David Buchan in Washington

MR. WILLIAM CLARK has taken both Democrats and Republicans aback in Senate hearings this week by the depth of his ignorance of foreign affairs, but the long-time Reagan associate is still likely to win Senate confirmation as Deputy Secretary of State to Mr. Alexander Haig.

Democrats on the Senate Foreign Relations Committee had a field day with Mr. Clark, a man who failed to finish law school but was none the less elevated by Mr. Reagan as California Governo to that state's Supeme Court. The committee forced him to concede his ignorance on virtually every question of fact or opinion in foreign affairs.

In fact, Mr. Clark frankly conceded his lack of foreign expertise, stressing that having been initially sounded out for even higher ranking jobs in the Reagan Administration of Attorney General, Agriculture Secretary or Director of Central Intelligence, he had been chosen for the number two State Department slot for his administrative skills.

But it did not placate Democrats, one of whom, Senator John Glenn, said: "We look at you as a pseudo-Secretary of State. We don't look at you as just an administratbr making sure the trains run on time around the State Department."

Questioned about relations *with the Soviet Union, Mr. Clark* told the senators: "I have some understanding of that from my reading of Time and Newsweek."

Senator John Glenn tried the broad view, asking Mr. Clark what he thought should be the objective of U.S. foreign policy. Pausing for reflection, Mr. Clark came back with "peace through strength" — President Reagan's oft-used slogan—and said it would be presumptuous for him to try to be more specific.

Another Democrat, Senator Joseph Biden, then attempted a narrower line of questioning, asking the nominee if he knew the name of the South African Prime Minister ("I don't know," said Mr. Clark) and of the Prime Minister of Zimbabwe ("It would be a guess," said Mr. Clark, and he did not attempt it). He also admitted ignorance of the quarrel in the British Labour Party and of Europe's nuclear preparedness.

A testing time for Iran's President

President Bani Sadr has sworn to stay at the front until victory in the Iran's war with Iraq. At temporary headquarters near the fighting, our correspondent Terry Povey spoke to the President.

THE STORY goes that during the current war between Iran and Iraq, President Abolhassan Bani-Sadr rushed in his battered Land Rover to the front line, shouting at retreating Iranian tanks to hold their ground. "Had an Iranian officer tried that, he would have been shot," said one seasoned army officer.

Since just after the start of the Gulf war last September, Mr. Bani Sadr has stayed at the front line with the Iranian forces boosting army morale as the conflict has become slowly bogged down to a military stalemate in the mud of the Khuzestan winter.

In Tehran, the clergy continue to conspire against him in a simmering feud between the religious and the temporal leadership.

But when this correspondent visited the President at his *temporary headquarters* in an embattled city in Khuzestan—we were not allowed to name the place—Mr. Bani Sadr's domestic political troubles seemed further away.

"I prefer to be at the front *rather than in Tehran* because war is an opportunity to test my method of leadership," he said in his makeshift bedroom-cum-office.

With the rumble of artillery in the distance, the President *spoke frankly about a war which* is costing Iran dearly in terms of men, arms and money.

The President munched on a dry date as he easily tossed back answers to questions. He likes wearing army uniform but carries no insignia or rank badge on his fatigues.

"If we are victorious in this war, we will be victorious in building the future of Iran too," he said.

Although he describes himself as a "pacifist that finds war disgusting," he appeared to be relishing the opportunity to break out of the capital's hothouse atmosphere and get on with the job of running the war.

At the same time, he regularly visits various cities around the country to make speeches attacking his opponents and to write a biting diary column in his own increasingly popular daily newspaper.

The President places much of the blame for the protracted nature of the war on the hostage issue. "If only it had been solved when I was Foreign Minister (November 1979) then we wouldn't have been in this position now," he said.

The interruptions in arms and spare parts supplies that followed on from the hostage-taking had "prolonged the war and what we thought would be over in two weeks or a month, has dragged on for more than four months," he claimed.

Yet this was not without its benefits, according to the President, for "our hope is our workers and technicians, who can repair and do maintenance at a more rapid rate than any country can supply us—even if they were willing to do so." This belief is consistent with his continually stressed aim of Iran's industry becoming less dependent on the West.

Of Irans economic development under the late Shah, Mr. Bani-Sadr said: "It's like looking at a starving child from a distance. The distended stomach makes one think that the child must be healthy. But when you look closer, you find that the child is sick and the stomach is just full of air."

The assembly-kit industries imported from the west were not a sign of development, according to the President, but "parts of Western industries, based here which could be stopped at any time, as was done with sanctions."

Mr. Bani-Sadr's poor relations with the Government of Mr. Mohammed Ali Rajai, a Government forced on him by his fundamentalist opponents who have a majority in the national parliament, are well known.

These relations deteriorated even further when *two months* ago a private letter from the President to Ayatollah Khomeini was circulated.

It stated that the Government was a worse disaster than the war. Was this still his view? "Yes I haven't changed my mind."

Indicative of the state of his relations with his political opponents, to whom he always refers to as "they," was the following comment about the early stages of the war.

"They believed that we will lose the war, and wanted to get some political advantage out of this. Eighty members of the Parliament signed a joint letter calling for my dismissal as Commander-in-Chief by Ayatollah Khomeini," said the President, "but we didn't lose the war and now they are helpless."

"Ayatollah Khomeini trusts me, but there are those who, deliberately or otherwise, give him false information," he added.

"This sometimes leads the Ayatollah to issue statements and make comments implying that treachery or negligence is taking place. But the Ayatollah supported me at the time of my election and he supports me still."

The President felt that continued political unrest in Iran was inevitable. Iran marks the second anniversary of its revolution next week. "If force and political repression are not used and (this disorder) continues for another two years, is this such a long time for a nation to become aware and find its own way?

"Remember, we had despotic rule for many years and my idea now is for this valuable experience (of the revolution) not to be wasted by the use of repression."

"It is this generation that must guard the revolution and make itself something, in order to build the future. This is what I am anxious for.

Iran's President is still at the front with his troops and judging from the crowds he draws, an election now would give him an even more crushing victory than the one he won a year ago.

President Bani-Sadr with Iranian troops

Oil industry watches Japanese negotiations for effect on prices

BY PATRICK COCKBURN

NEGOTIATIONS between Iran and 12 Japanese companies on *the purchase of 300,000 barrels* a day of crude are being watched closely by the international oil industry for their effect on Gulf crude prices. An agreement is expected later this week.

Shell and BP have already signed new supply contracts with Iran for the purchase of *110,000 b/d and* 65,000 b/d respectively.

They will both be paying a premium of $1.80 a barrel during the first quarter of this year in addition to the official price of $37 a barrel for heavy crude and $36 for light, according to the authoritative Middle East Economic Survey.

It appears that the Iranians are not offering any discount to purchasers risking tankers at the Kharg island oil terminal which has come under sporadic attack from Iraqi bombers. The companies will have to pay an additional 50 cents to $1 a barrel for war insurance and high freight rates, but receive 60 days' credit on purchases from Iran.

If the Japanese companies receive similar terms from the Iranians, it will increase the pressure on Kuwait to reduce its premium of $5.50 a barrel on top of its official price of $35.50.

Shell is at present lifting 250,000 barrels a day from Kuwait, of which only 75,000 barrels a day is at the official price. The contract for premium crude comes up for renewal on April 1.

The National Iranian Oil Company yesterday denied offering discounts on crude prices to any of its oil customers. It added that Iran neither exported oil to South Africa, a banned destination, nor imported any commodify from there. NIOC's comments came in reply to a story in last Friday's Financial *Times*.

Arabs plan co-operation on security

By Richard Johns in Jeddah

FOREIGN MINISTERS of the six conservative Arab States of the Gulf meet in Riyadh today to discuss intensified collaboration along the lines of a Kuwaiti proposal made last week.

The Kuwaiti initiative was made during last week's Islamic summit conference in Taif.

It is understood to involve co-operation in external security and provide for more economic co-ordination. The emphasis in the past has been largely on exchanging information and policies in the field of internal security.

The plan was discussed by the heads of state of Saudi Arabia, Kuwait, Bahrain, Qatar, the United Arab Emirates and Oman.

Sheikh Sabah al Ahmed al Sabah, Kuwait's Foreign Minister yesterday denied reports that a working paper put forward by his State proposed a form of federation. But he said: "It will be possible that we will arrive at an advanced form of co-operation and links in several years." He said several ideas had "crystallised" in the course of bilateral meetings.

Mr. Sagr al Amri, the Omani Minister of Information, said several important subjects would be discussed including "a co-operative security system between States on the Gulf." An attempt would be made to reach an agreement on the plan involving all six States.

Selling wave hits Tel Aviv Stock Exchange

BY DAVID LENNON IN TEL AVIV

A WAVE of indiscriminate selling has hit the Tel Aviv Stock Exchange, with investors and speculators alike dumping shares with little concern for the selling price.

Yesterday was the third straight day that many shares were marked "sellers only" with their price automatically reduced by 5 per cent. Brokers *and banks were flooded with* "sell" orders as prices fell by 5-10 per cent daily, wiping millions of shekels off the value of shares.

Mr. Nathan Shilo, Deputy Manager of the Exchange, said that he feared it could turn into the biggest slide ever experienced by the Tel Aviv Stock Exchange. "It is as hard to explain the indiscriminate selling in the past few days as *it was to explain* the earlier wild buying," he said.

Triple-digit inflation and the absence of any capital gains tax on share profits has made Israel's small exchange a popular place for investors and speculators seeking a hedge against inflation.

Though small compared to the world's major security exchanges—the average weekly turnover in 1980 was £60m—Tel Aviv *turned in one of the* best performances of any of the world's exchanges last year.

The general share index closed the year with an annual advance of 288 per cent and yearly trading turnover rose by 486 per cent. By year's end, the total market value of shares and convertible debentures reached the £1.9bn mark.

Because of the Israeli keenness to protect money against inflation, the *surge* of interest in the Stock Exchange last year pushed many shares to record heights.

Shares of the commercial banks, which account for nearly *two-thirds of the total market* value of all shares, registered a 233 per cent advance last year, while industrial shares, accounting for only 12 per cent of the total, made a nominal gain of 740 per cent.

The investment spree continued during January this year, with some shares rising by 50 per cent in the month, way above their real value. But the advance halted last week.

It appears that investors' nerves had been frayed by recent contradictory statements by Ministers about the possibility of a Government decision to tax share profits at a *time* when a *new Finance* Minister was being appointed.

Despite denials from the Government about such an intention, investors' nervousness appears this week to be turning into near panic.

Reuter reports from Jerusalem: The Israeli Parliament's legal committee has set general elections for June 30 instead of July 7, as proposed by Mr. Menachem Begin, the Prime Minister. The new date has to be approved by the full Knesset, but is expected to be accepted.

Mr. Aharon Abuhatzeira, Israel's Religious Affairs Minister, pleaded not guilty yesterday to charges of bribery and misuse of public funds at the start of his trial in Jerusalem. Three other men also pleaded not guilty to the charges. After the pleas, the panel of three *judges decided to adjourn the* trial until February 15.

Zimbabwe seeks to spend more

THE ZIMBABWE Government yesterday asked Parliamentary approval for additional spending totalling almost Z$100m (£66m), mainly on defence and education, our Salisbury Correspondent writes. Allowing for last week's increases in various taxes, the supplementary estimates, expected to be approved next week, bring the budget deficit this fiscal year to more than Z$560m.

General attacked

Proceedings in the Japanese Diet Budget Committee were halted for the second day yesterday as the opposition Socialist Party members walked out, demanding the resignation of General Gorō Takeda, a Self Defence Force general who has criticised the nation's defence policies, AP reports.

S. Africa flight bar

The Australian Government has refused the state-owned airline Qantas permission to fly to South Africa, partly because of Australia's "known opposition" to Apartheid, Reuter reports from Canberra.

Thai refinery strike

ABOUT 500 refinery workers of the Summit Industrial Oil Company (Panama), went on strike in Bangkok yesterday, demanding higher wages and other benefits, AP reports.

Chinese warned

enterprises in China which are losing money through bad management have been warned they will not receive any further governmen tsubsidies, Reuter reports from Peking.

Van den Bergh warns Botha on reforms

BY QUENTIN PEEL IN JOHANNESBURG

GENERAL Hendrik van den Bergh, formerly the head of South Africa's Bureau for State Security (BOSS), yesterday broke his silence and warned that the policies of the South African Government were leading to racial confrontation or black majority rule.

In a wide-ranging interview *with the Johannesburg* newspaper, The Star, General van den Bergh said the attempts by the present Government of Mr. P. W. Botha to remove racial discrimination and improve the quality of life for the black majority would *inevitably* lead to demands for political equality.

He described South Africa as being in a classic pre-revolutionary situation, and warned that the battle for the support of the black élite had already been lost.

General van den Bergh's remarks, coming just after Mr. Botha has called a General *Election, are likely to be seized* on by the Prime Minister's conservative opponents as ammunition to oppose the Government's cautious reformism.

The urban black population had always been the "Achilles *heel*" of the ruling National Party's policy of separate developments, the General went on. Yet it was among the urban blacks that Mr. Botha was arousing "a steadily rising level of expectation."

"The systematic removal of discriminatory measures and other crash programmes for improving the quality of life must inevitably lead to the *removal of the final form of* discrimination — political discrimination," he said. "It is clear to me that in its efforts to avoid discrimination, the Government is in effect inviting it."

He also questioned the Prime Minister's claim that South Africa faced a total onslaught from outside the country: the greatest threat to security was the country's internal political and social circumstances, he declared.

Reuter adds: South Africa is phasing out Apartheid because it does not work," Mr. Owen Horwood, South Africa's Finan*cial Minister, said in an inter*view with a monthly business publication, International Letter, published in Paris yesterday. "The plan to set up Homelands for the various tribal groups has not proved economically viable," he added.

THE PROTECTIONIST LOBBY

Small cracks in Dutch commitment to free trade

While the Dutch long accepted the dominance of imported cars as a fact of life, the shipbuilding and leather sectors have all but been wiped out by foreign competition. If the trend of the past five years continues, unions believe they will see the end of the textiles industry. Charles Batchelor in Amsterdam reports.

SMALL CRACKS have begun to appear in the Netherlands' traditional committment to unfetter trade, though it is too *early to talk of an organised* protectionist lobby.

A country which exports half its gross national product simply cannot afford to erect trade barriers, according to the conventional wisdom.

This view is still generally accepted by the Government, the unions and the employers, but this article of faith has been severely tested in recent years as sectors such as textiles, clothing, leather and shoes, as well as large shipbuilding, have been all but wiped out by foreign competition. As foreign competition has begun to affect industries, such as electronics and automobiles, the pressure has grown.

The country's largest union organisation, the Netherlands Trade Union Confederation, takes the view that trade must be free. But union officials close to the problems of individual sectors have grown *sceptical*.

The textile and clothing industry in the Netherlands has declined at a faster rate than in any other European country in recent years under a combined onslaught from both *Third World countries and* more efficient EEC competitors. If the trend of the past five years continues for the next decade the industry is finished, according to the confederation's textile expert.

The union agrees that jobs *in sectors such as textiles* should go to the developing countries. It questions, though, whether the most aggressive new textile nations can genuinely claim "developing" status and is critical of the *conditions in which employees* are forced to work in countries where free unions are often banned.

The Royal Textile Factories Nijverdal-Ten Cate is one of the largest and most vigorous companies in its sector in the Netherlands. But despite feverish attempts to retrench and restructure Ten Cate shows the scars inflicted by the decline of the textile industry.

Its workforce has shrunk from more than 7,000 in 1974 to around 4,100 while turnover has hovered around Fl450m for the past four years. Losses have been made in four of the last seven years and only marginal profits in the other three.

The list of textile companies quoted on the Amsterdam Stock Exchange has yearly grown smaller—in 1977 Tricobest went. It was followed in 1978 by Verenigde Nederlandse Industrie and George Droege Textiel, *in 1979* by Wolspinnerij Ede and last year by Nederlandse Bontweverij. The companies which have survived have crowded together into new partnerships such as Spinnerij Nederland and Confectie Cooperatie Nederland. These have *often had as little success as* the individual companies they replaced.

Philips, the electronic group, came out strongly last year in favour of a joint European Community effort to stem Japanese *television imports.* Philips joined the cal for quotas on imports since voluntary limitations would not work.

Mr. van Ardenne, Economics Minister

Despite the existence of Daf, the small, fairly specialised car manufacturer which has now become the largely *Swedish*-owned Volvo car, the Dutch have never considered themselves a car producing nation and have accepted the dominance of imports as a fact of life. But Volvo's failure to become profitable *and proposals* to lower production targets and cut jobs this year have provoked concern.

This has prompted the Dutch authorities to place a Fl25m order for Dutch made Volvo 343-S for the country's police force and for *Mr. Gijs* van Aardenne, the Economics Minister, to call on other Government departments to consider buying Dutch.

The Japanese increased their share of the declining Dutch car market to 26 per cent last year from 20 per cent in 1979. The value of the Japanese car sales exceeds that of all Dutch exports to Japan and left the Netherlands with a trade deficit of nearly Fl 2bn in 1979.

Last week the Dutch Government instituted procedures requiring more detailed registration of imports of Japanese cars and other products. It did so, it said, to bring itself into line with the rest of the EEC. Its action was taken partly at the request of *Belgium*, which has trading agreements with the Netherlands within the Benelux framework. The Dutch Economics Ministry emphasised that this was an administrative procedure and denied *emphatically* that this was the first step towards controls on the volume of imports.

Shipowners complain they are under pressure to place orders at Dutch shipyards and want *shipping support policies to be* divorced from shipbuilding aid. But a reorganisation of the industry rather than trade restraints has been seen by successive Governments as providing the only lasting solution to the economic malaise.

The position of developing countries plays a large part in Dutch trading philosophy and forms a major block to the development of a protectionist lobby. A recent report commissioned by the Ministry of Development Co-operation concluded, rather surprisingly, that a considerable part of Dutch industry was protected from foreign competition — often within the framework of the EEC—by a complex of tariffs, levies and subsidies.

The report said that the developing countries were harder hit by these measures than the developed nations since protection was given to products such as clothing, textiles, leather and shoes.

Despite these conclusions it forecast 80 per cent market penetration by imports in these sectors by the mid-1980s and a strong increase in the penetration of the markets for metal products, machinery and electrical products.

The poor performance of some industries will force the Government to help with the restructuring costs. Despite scepticism in some quarters this, rather than a recourse to overt trade barriers, will be Government policy for the foreseeable future.

UK group wins contract for new Athens airport

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITISH AIRPORTS International (BAI), the consultancy set up by the British Airports Authority and International Aeradio, has won a multi-million pound contract for the provision of a new international airport for Athens.

BAI will be responsible to the Greek Government, through the Athens Airport Authority, for all the financial, commercial and operational aspects of the new airport.

The company will be working closely on the venture with Sir William Halcrow and Partners, the civil engineers, and with Air BP.

While the exact value of the contract has yet to be disclosed, the airport is expected to cost several hundred million pounds. It is the largest new airport planned in Western Europe and is intended to be completed by 1987, when it will be required to handle up to 20m passengers a year.

It will have two runways, two terminal buildings and other associated buildings such as maintenance, catering, fire, police, transport and other facilities.

BAI will be, in effect, the master-planners of the new airport, and the co-ordinators of *the myriad design and* construction activities.

International Aeradio, set up many years ago, and jointly owned by a large number of major airlines including British Airways, provides a wide range *of specialist technical* and consultancy services to airports, including telecommunications and air traffic control services, especially to airports and countries in the Middle East.

Paul Cheeseright adds: The Athens airport consultancy contract should give a fillip to Anglo-Greek commercial relations following the apparent failure of successive ministerial talks to breathe life into a Memorandum of Understanding, signed in 1979. This was seen on the British side as opening up access to major Greek public service contracts.

Consultancy contracts at this stage of a projet are valued *because they often* lead to the construction contracts going to companies from the same country as the consultants.

Ford Motor wants Japan axles

TOKYO—Ford Motor has asked Toyo Kogyo to supply manual transaxles (MTXs) for a new, small passenger car being developed by Ford in the U.S., an official at Japan's fourth largest vehicle maker said yesterday.

The request by the U.S. company, which owns a 25 per cent equity share in the Hiroshima-based Toyo Kogyo, came on the third day of a visit to Japan by Mr. John McDougall and Mr. H. A. Poling, senior Ford executives.

Details of the proposal were not available, but Japanese newspapers said the MTXs would be incorporated in a new front-engine, front-wheel-drive car that Ford plans to market from 1983.

Toyo Kogyo has been exporting MTXs for use in the 1,600cc Escort since last May. Last month, the Japanese carmaker concluded a contract to supply automatic transaxles (ATXs) for another Ford passenger car, which is expected to go on the market next spring.

Mr. McDougall and Mr. Poling, both executive vice-presidents for automotive operations, arrived in Tokyo on Sunday for talks with their Japanese partner on a "possible joint manufacturing venture" in the U.S.

The two Ford executives have refused to discuss their mission in Tokyo. However, in a statement released earlier yesterday by Ford, the company said it would be sending more officials to Japan in the future in an effort to cement "already good relations" with the Japanese company.

AP-DJ

John Brown wins £35m Iraq order

By Hazel Duffy

JOHN BROWN ENGINEERING has secured its largest single contract with an order from Iraq for a turnkey power station. The contract, valued at £35m, brings to £60m the contracts that have been announced by the Clydebank-based engineering group in the past week.

John Brown will build the power station at Mulla Abdulla, near Kirkuk, and supply 10 gas turbine packaged power plants generating a total output of 250MW. The contract comprises administration buildings, workshops, control rooms, fuel treatment plant and other ancillary civil engineering work.

The company, part of the John Brown group, had previously supplied similar plants to Iraq *in 1976. They* were for the Basra power station and had a total output *of 100MW*. The orders announced last week are for Brunei, India, and Oman, and together with this latest order from Iraq, will provide a much-needed boost to the work in hand at the Clydeside engine works.

APE-Crossley, the Manchester unit of Amalgamated Power Engineering has won a £3m repeat order to supply Empressa Electrica El Oro of Ecuador with two diesel generating sets and their ancillary equipment. The company will instal and commission the units, and provide training facilities for Ecuadorian personnel.

James Scott (Electrical Transmission), part of the William Press group, is designing, supplying and erecting three overhead transmission lines for State Gold Mining Corporation of Ghana in a £1.5m contract.

Third World move by Oslo

BY FAY GJESTER IN OSLO

NORWAY'S GOVERNMENT has appointed a consultative council of senior civil servants to help Norwegian oil-related industry to win contracts in developing countries. The council includes representatives of the Ministries of Foreign Affairs, Oil, Finance, Trade, Industry, Environment and Education.

To assist the council, the Foreign Affairs Ministry has appointed an advisory committee, on which Det Norske Veritas, the Export Council, and the Federation of Industry are represented, as well as a number of companies, such as Statoil, Oildeco, Norwegian Petroleum Consultants, and Norconsult and the country's three largest commercial banks.

The council and committee will consider inquiries from developing countries interested in advice or equipment in connection with offshore projects, and recommend the terms on which help should be offered — whether purely commercial, or with an aid element. Norwegian officials say that many developing countries seem to prefer asking Norway for help with petroleum projects rather than the multinational oil companies, because they fear domination by the latter.

Oil groups in £185m plan for Dutch offshore crude

BY MICHAEL VAN OS IN AMSTERDAM

A CONSORTIUM of international oil companies will *invest Fl 1bn (£185m) in pipe*line and oil/gas separation facilities in the Netherlands for the production of hydrocarbons from the F-2, F-3 and F-6 blocks off the Dutch coast.

Mr. Frank Duut, an official for the Dutch Nederlandse Aereoliemij (NAM) company, jointly owned by Shell Dutch-UK group and Esso of the U.S., said yesterday that the project involved the construction of a 200 kilometre pipeline, two production platforms and an oil/gas separation plant.

The pipeline is to connect the field to the port of Eemshaven in Gronigen province where the separation plant is due to be built, and the first production of oil from the Dutch North Sea shelf is expected by 1985-1986.

Joining the NAM company in the project are Petroland of France and the Union Oil company of the U.S.

The NAM official said the field is estimated to contain 6m tonnes of crude oil and 12bn cubic metres of natural gas.

The Dutch Economics Ministry in The Hague could not yet say when the licence would *be awarded exactly.*

A Ministry official said that the "old regulations" applied to the F-block finds. This meant that the Government will take an automatic participation in the gas find of 40 per cent, while *any stake in the oil find* was not automatic and was, therefore, "negotiable." Under the new rules governing offshore development, the automatic state participation is 50 per cent in case of both gas and oil finds.

NAM said that it expected an "important share" of contracts for the work involved in the project to be placed with Dutch industry.

Case for Stansted development rests on likely recovery in air travel

Michael Donne looks at the BAA's report on London's third airport

THE NUMBER of passengers using airports in the London area is likely to more than double by 1985, from the 1979 level of 39.1m to 87.2m, although the number of aircraft movements will rise by a much lesser amount, from 408,000 to 572,000.

Cargo handled will nearly triple in quantity, from 641,000 metric tonnes to over 1.6m metric tonnes.

This expected growth is the justification put forward by the British Airports Authority in its 100-page "Statement of Case" for the development of Stansted Airport, Essex, as the third major airport for London after Heathrow and Gatwick.

The statement was issued by the authority yesterday, seven months before the public planning inquiry into the Stansted plan is due to be held in September.

The authority is required by law to produce such a case, to give the opposition time to prepare *its own arguments against* the development.

The public planning inquiry is expected to be the longest—between six and nine months—and one of the most acrimonious of its kind yet held into a major planning proposal in the UK.

The British Airports Authority's basic plan is to develop Stansted from its present level of 275,000 passengers a year to an initial capacity of 15m.

This would require two taxiways parallel to the existing main runway and to the south-east of it; new "holding areas" at the ends of the runway; and an extension of the parallel taxiway to the north-east of the runway. The main runway would remain 3,048 metres long, about the same length as at Gatwick.

Other facilities needed would include a new passenger terminal, designed to handle between 3,600 and 4,000 passengers per hour in each direction, inward and outward, which equates to about 15m passengers a year.

A hotel of between 200 and 350 bedrooms would be built close to the terminal building, and other accommodation would be provided in the terminal zone for apron equipment, workshops for aircraft servicing, stores, baggage handling areas, control tower, radar, fire station, police station and aircraft fuelling facilities.

Car parks for up to 4,000 cars would be needed, while cargo facilities for up to 100,000 tonnes a year would also be provided.

British Rail proposes to provide a direct rail link into the airport. Powers to do this will be sought in a Parliamentary Bill. These plans, therefore, do not form part of the British Airports Authority's own "Statement of Case."

The cost of the authority's plans, if fully implemented, is not given in the statement, but it is generally believed that it will not be less than £300m, with another £100m for the rail link.

In addition to the development of the airport to a capacity of 15m passengers a year the authority is looking ahead to possible further expansion in the late 1990s, with perhaps a second runway, about 3,600 metres long, and appropriate terminal facilities to handle up to 50m passengers a year.

The uncertainties of forecasting traffic demand beyond 1995, however, make it inappropriate for the authority to put forward its detailed plans for expansion beyond 15m to 50m passengers a year.

But it says it is possible that by the end of this century, the London area might be handling as many as 120m passengers a year.

The British Airports Authority bases its case for Stansted on the fact that, in spite of the recession, air travel in the early to mid-1980s is *likely to resume its growth*, and continue expanding well into the 1990s.

Although recovery from the depths of the recession is not expected to begin before this autumn, from 1982 to 1985 passenger air traffic growth is forecast at 7.8 per cent a year, giving an average for the five years from 1981 of 6 per cent.

Growth will slacken a little thereafter, but for the 15 years from 1981 to 1995, the average annual passenger traffic growth is put at 5.4 per cent.

For aircraft movements, a growth of 1.5 per cent to 1985 is forecast, and over the 15 years to 1995, an average annual growth of 2.1 per cent is forecast.

For cargo, the average annual growth up to 1995 is forecast at 6.8 per cent.

On the basis of these figures, the BAA argues that, in addition to the proposed second terminal at Gatwick (for which approval is still awaited), and the new fourth terminal at Heathrow (which is going ahead), there will still be the need for expansion at Stansted.

The BAA estimates that, by 1988, it will have a total available passenger capacity in the London area of about 68.5m, of which Heathrow will account for about 38m, Gatwick about 25m (on the assumption that the second terminal there is approved), Stansted 2m, and *Luton 3.5m.*

But, by 1988, this capacity will fall short of anticipated demand, and the shortfall will become progressively worse as traffic expands into the 1990s.

By 1990 alone, the anticipated passenger demand will amount to 70.2m, against the available capacity of 68.5m.

Beyond 1995 the BAA admits that "prospects for further growth are subject to increasing uncertainty as certain market limitations come increasingly into the picture."

But it points out that no one is able to say that further growth will not occur beyond that date.

The BAA believes that, in the light of these forecasts, which it says have been carefully made taking into account such factors as the recession, and the effects of oil price rises on air transport into the 1980s, a demand for further airport capacity in the London area is demonstrated.

Furthermore, this additional capacity ought to be made available much earlier, if for any reason the proposed second terminal at Gatwick is refused, which would cut about 9m passengers a year out of that airport's capacity through the 1980s.

"If permission is refused for the development of Stansted, there will be a growing excess of demand over capacity in the London area airports system in the late 1980s and beyond.

"Because the lead time for the development of an alternative site would be longer than that at Stansted, and because it would be necessary to repeat the design and inquiry stages, additional facilities to provide for this excess could not be available until well into the 1990s.

"Stansted is therefore the only option that can be made available to meet the need at the time it is predicted to be most likely to be required."

Commenting on the consequences of not meeting the need of passenger demand for airport facilities, the BAA says some traffic would be diverted to regional airports, and some to the Continent, while some would not travel by air at all, or not bother to come to the UK.

Earlier, the Government's own Advisory Committee on Airports Policy had concluded that a failure to meet the London area demand for airports capacity could affect adversely the City of London as a world business centre.

Failure to provide adequate airport capacity would also severely affect tourism.

"Any limit to the capacity of the London area airports system would inevitably suppress the forecast growth in demand for air travel from both UK and foreign travellers, and from business and leisure passengers.

"The resulting effects on the air transport industry and on trade and tourism, would severely damage national economic prospects."

The BAA suggests that the development of the airport to 15m passengers a year would provide substantial further employment in the area.

As well as the additional on-airport jobs of about 21,000 over the present labour force of 1,800, there would be a further 5,000 to 10,000 jobs in airport-related activities.

The inflow of labour would also give rise to a need for a further 1,400 to 6,000 homes, compared with over 40,000 dwellings built in this area in each of the last three decades.

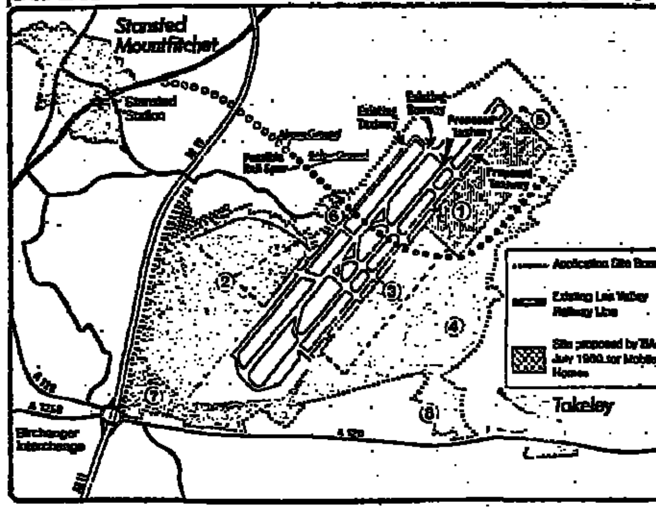
The statement makes it clear that, in the BAA's view, the additional employment to be generated will come largely from the local community—about 70 per cent of the 30,000 or so that will probably be needed—and that the rest will come from outside the area.

Detailed reports on the employment and housing situations at Stansted are to be published within the next ten days by the BAA. A summary of surface transport implications will also be issued soon, as will a specialist report on the farming implications.

Most of the agricultural land within the application site is classified as Grade 2 and is part of large arable farms. The number of farms believed to be affected by the proposed development would be fairly small. Only two would have to stop altogether.

As a result of the limited population in the area, the number of persons affected by noise would also be low.

STANSTED AIRPORT: Development plan to 15m passengers a year



KEY TO ZONES: 1, Terminal; 2, Aircraft maintenance, general aviation, long-term car parks, associated facilities; 3, Aircraft maintenance, cargo handling; 4, 5, 6, Associated facilities; 7, Access corridor; 8, Balancing pond.

Methane from London's tips may be exploited

BY MAURICE SAMUELSON

METHANE GAS which has built up inside one of London's major rubbish tips may be exploited commercially, earning the Greater London Council "hundreds of thousands of pounds."

The council is working on a scheme with the National Coal Board's coal products group to tap methane gas from a 70-acre landfill site in Aveley, Essex. It is thought to be the first time a local authority has taken steps to exploit such a find commercially.

The GLC was taking part in a nationwide study of methane gas production at landfill sites when residents complained of smells from the Aveley site. This led to the discovery of concentrations of methane.

At least 900m cu ft (5m therms) a year could be extracted for at least five years and the GLC believes there are further amounts which could last for another 10 years.

The scheme would involve sinking about 12 boreholes and constructing a grid of mobile collector pipes. The gas would be piped to the user from a fixed extraction plant on site.

Lorry loads of waste have been tipped at Aveley for 15 years. Mr. Peter Black, leader of the GLC's recreation and community services policy committee, said yesterday: "The old saying 'where there's muck there's brass' is particularly appropriate in this case."

The NCB is a specialist in this work, supplying methane—also known as fire-damp—from collieries and coke ovens to industry in many parts of the country.

The Aveley proposals have to be agreed by the GLC finance and establishment committee.

Rolls aero engine sales top £1bn

By Michael Donne

SALES OF the Rolls-Royce RB-211 engine, together with spares, have amounted to well over £1bn to date. Added to the orders and options outstanding, the value of the programme to Rolls-Royce is over £3bn.

Yesterday, the company began to test the 1,000th RB-211 to be built since the programme began a decade or more ago. The latest engine, a 524C model of 51,500 lbs thrust, is one destined for a Boeing 747 for Air New Zealand.

The company has won orders and options already for over 1,450 RB-211s of all versions, to power 417 airliners including 288 Lockheed TriStars, 41 Boeing 747s and 88 Boeing 757s. Further orders are being sought.

Although the RB-211 accounts for less than one-quarter of the total business of Rolls-Royce, it is Britain's biggest single aviation export programme.

Production is increasing. In 1980, deliveries were greater than in any previous year, and they will be higher still in 1981.

The power of the engine is also growing. It is now available in versions from 37,400 lbs to 53,000 lbs and bigger variations are planned.

Top Channel port

ELEVEN MILLION passengers passed through the port of Dover last year, an increase of 19.9 per cent on the 1979 record. This puts Dover well ahead of other cross-Channel ports, the harbour board said.

Guides to census published

Financial Times Reporter

A SERIES of information sheets on the forthcoming national census was published yesterday.

They provide details of how the census will be conducted and processed. They also explain why it is needed, how confidentiality is to be safeguarded and how the information will be used.

The census, to take place on April 5, is the latest in a series which have been held every tenth year since 1801 with the exception of 1941. Many other countries will be engaging in a similar exercise over the next two years.

In Britain, the census is expected to cost about £44m at 1979 prices. This is calculated on the basis of 81p per *head* of population, or about 8p each year if spread over the decade.

About half the effort goes into the delivery and collection of the 20m forms and the other half into processing them, before their contents can be computerised.

Some 1,500 additional staff will be engaged by the Office of Population Census and Surveys. There will be two processing offices, one in Hampshire and the other in Merseyside.

The process of taking the census will be carried out by more than 100,000 people who, with the other personnel involved, are subject to the Census Office's strict confidentiality rules.

The information sheet on confidentiality stresses that the census is taken solely to compile statistics and that no administrative use is made of information about individuals, families or households.

Water charges set to rise

MOST HOUSEHOLDERS in the Severn-Trent region are likely to face increases of between 18.4 per cent and 19.7 per cent in their bills for water services in the next financial year.

This means that the average householder's bill of about £58 a year will go up to £63—a rise of less than 20p a week.

Manx law may aid debt collection

THE Manx Parliament's upper house has passed the Administration of Justice Bill, after revisions made by a joint committee of both houses.

The main provision is a clearer definition of Isle of Man court officers' powers to collect debts. Faster enforcement of Manx High Court judgements should result.

Telecom borrowing may be extended

BY JASON CRISP

BRITISH TELECOM may be allowed to borrow directly from financial institutions following an amendment to the British Telecommunications Bill which was passed in committee stage yesterday.

Mr. Kenneth Baker, Industry Minister, said: "I think we should take powers in this Bill to allow them (British Telecom) to borrow from other institutions or from the market, because there may be possibilities in the future that they would want to go, and could go, to the market."

Mr. Baker said he was actively pursuing means by which British Telecom could borrow funds which would not be counted against the public sector borrowing requirement.

The amendment, which was proposed by Mr. Barry Henderson, Conservative MP for East Fife, allows British Telecom to borrow from someone other than the Secretary of State in any currency.

As a result, British Telecom will not be tied to the National Loans Fund for borrowing inside the UK but it will still be constrained by public sector borrowing limitations.

However, any borrowing from a financial institution would involve the permission of the Secretary of State. Mr. Baker emphasised the revised clause was only a "permissive power."

"I cannot say—nor can any Minister responsible for a nationalised industry say—right, the sky is the limit you can spend what you want and you can borrow what you want."

Mr. Baker also encouraged British Telecom to devise joint ventures with private industry where it held a minority stake so that any financing would not be counted against the public sector borrowing requirement.

Mr. John Golding told the committee that British Telecom wanted to borrow £500m in the next financial year but had only been allowed to increase its borrowings by £180m because of cash limits.

Mr. Baker pointed out that British Telecom's investment programme of £2bn next year was no greater than it had been in the early 1970s. At 1981-82 outturn prices, investment in the telecommunications network peaked in 1973-74 at £2.2bn, although it fell back to a low point of £1.4bn four years later.

Video information campaigner leaves French company for Britain

BY GUY DE JONQUIERES

A KEY figure in France's aggressive campaign to capture a big share of the U.S. market for low-cost video information systems has defected to the rival British camp.

He is Mr. Gary Rosch, a former senior official with the U.S. Federal Communications Commission, who has resigned after less than nine months as legal adviser and chief political lobbyist for the Washington-based French state marketing company, Antiope Videotex Systems.

His decision has been hailed as a minor commercial coup by officials in London. They believe his knowledge of the U.S. communications industry and his wide political contacts will prove valuable.

Mr. Rosch is to join British Videotex Systems, a company whose formation is due to be announced officially soon. It is expected to be given financial backing by the Government.

BVS, in which British Telecom will be the major partner, will promote British information technology products in the U.S. including the Post Office's Prestel viewdata service and the Ceefax/Oracle teletex systems.

Mr. Rosch said yesterday that he had resigned because of "policy differences." He is believed to have become disenchanted with the French marketing effort because it had no products ready for sale.

Unlike Britain, France still has no viewdata or teletex systems in commercial service. As was the case with Prestel until about a year ago, there have been problems developing the intricate micro-electronic circuits needed.

Mr. Rosch is well-placed to influence U.S. efforts to decide on a single standard for teletex systems. These transmit computerised information "pages" to modified television sets, using normal broadcast channels.

He is a member of the committee formed by the U.S. electronics industry to recommend a standard to the FCC. Though a majority of members favour the British system, Mr. Rosch and the big CBS group have lobbied hard for the French rival, Antiope.

A delay of several more months seems likely before the French Government decides whether to proceed with its scheme to replace printed telephone directories with cheap terminals linked to a central computer.

A decision was due last December, but it is not now expected before the spring. This is partly because of technical difficulties and partly because the authorities are unwilling to offend French newspaper proprietors before next April's presidential election.

A leading regional newspaper recently disclosed that responses to the first trials of the electronic directory in Britain had been disappointing. Almost half those included in the trial said the directory was slower than using printed telephone books and some failed completely to locate the number they wanted.

High Court extends HFC order

By Raymond Hughes, Law Courts Correspondent

THE HIGH COURT yesterday continued an order preventing First National Securities offering consumer credit facilities under the name Household Finance.

Mr. Justice Whitford extended the order until full trial of a pending action against First National by HFC Trust and its Chicago-based parent, Household Finance Corporation.

The order, which prevents First National trading as Household Finance, or under any similar name likely to *cause confusion* between its business and that of HFC, was first made last July, soon after First National changed its trading style from Credit Plan to Household Finance.

First National contended that HFC did not make sufficient use of the name of Household Finance Corporation in its advertising and literature to justify continuation of the order.

But Mr. Justice Whitford said First National's own evidence, based on visits to HFC offices, an analysis of HFC's advertising, and an opinion poll, itself indicated that there was some degree of association in the public's mind between HFC and the words Household Finance.

First National could no doubt continue to operate under the name Credit Plan, the judge said.

Elf, Total in £1.5bn N. Sea oil plan

BY RAY DAFTER, ENERGY EDITOR

TWO French oil companies, Elf Aquitaine and Total, plan to spend about £1.5bn on the development of the North Alwyn Field in the UK sector of the North Sea.

The companies and the Energy Department are discussing a scheme for installing two fixed platforms on the medium-sized oil and gas discovery. But the project could become entangled in Government plans for a £2bn gas gathering pipeline network.

North Alwyn, operated by Total, lies in block 3/9, about 100 miles east of the Shetland Islands.

Mr. Jacques Pavard, chairman and managing director of Elf Aquitaine UK (Holdings), said in London yesterday proven reserves were about 25m tonnes (182m barrels) of crude oil and 30bn cubic metres of gas.

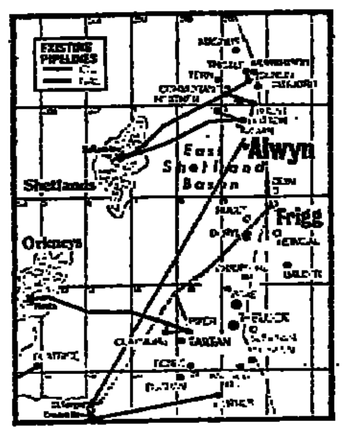
The reserves have been identified in three separate reservoirs, one containing oil and gas and two containing gas only.

Mr. Pavard said the groups hope to submit a formal development application to the Department of Energy in the next six months so production can start by 1986. The groups hope to bring the oil ashore via the Ninian or Brent pipeline systems he said.

Elf and Total have also told the Department that they want to feed the gas into their Frigg Field gas distribution system.

The Frigg pipeline lies less than 50 miles to the south of Alwyn, linking the Anglo/Norwegian Frigg Field with British Gas Corporation's distribution terminal at St. Fergus in Scotland.

The Energy Department however, *is encouraging companies* to feed new gas supplies into the proposed £2bn gas gathering system, a network designed to collect natural gas and gas liquids from a number of North Sea fields.



It is understood Total and Elf officials have told the Department that the viability of the North Alwyn development will be influenced by the routing of the field's natural gas.

Mr. Pavard said the area south of North Alwyn could contain a further 25m tonnes of oil and between 15bn and 30bn cubic metres of gas.

These reserves, if proven by further drilling, might be produced through subsea systems linked to the two platforms planned for North Alwyn.

Meanwhile, it is estimated that North Alwyn could yield oil at the rate of at least 40,000 barrels a day for eight years.

Mr. Pavard also said the group is considering pilot oil production from its prospect west of the Shetlands, an area known to contain a considerable amount of relatively heavy oil trapped in difficult reservoir conditions.

● Wintershall (UK) will acquire a 50 per cent stake in North Sea licence number P208 as a result of a deal with the original licensees, including Zapata. Wintershall will acquire its interest in exchange for drilling two wells, one on block 3/13a and the other on block 14/10a.

Members of the P 208 group are: Forest Oil (9 per cent), R.O. Exploration (12.5 per cent), Union Texas Petroleum (6 per cent), Zapex North Sea (5 per cent), La Terre Petroleum (5 per cent), Summit Energy (2.5 per cent), *Ukamar (3.75 per cent)*, Supron Energy (5 per cent), Gas and Oil Acreage (1.25 per cent) and Wintershall (50 per cent).

Anglia Building Society group demands register

FINANCIAL TIMES REPORTER

THE Chief Registrar of Friendly Societies yesterday reserved judgment on an attempt by a group of members of the Anglia Building Society to obtain access to the society's membership register.

The group, one of whom last year tried unsuccessfully to get himself elected to the Anglia Board, says it wants access to the names and addresses of the society's members so that it can pursue its campaign to take a more active role in Anglia's affairs.

The move is being opposed by the Anglia Board, partially on the grounds of confidentiality and because it claims that the group, which last year gained temporary access to the records, exceeded the terms then set down in the registrar's directive.

The group, headed by Mr. Paul Twyman, told the registrar that the society's membership should be able to play an effective part in the progress of the Anglia. In asking for access to the records for four years, the group said it wanted to put members in a position where they could help formulate Anglia policies and implement changes in management style, which some members believed were necessary.

Mr. Jonathan Parker QC, for the Anglia, said the group had not shown that access to the society's register was in the best interests of all members and questioned whether any member seeking a place on the Board should "willy nilly" have access to the records.

Mr. Keith Brading, the chief registrar, is expected to give his decision by the end of the week.

Carrington Viyella in link with U.S. group

BY RHYS DAVID

CARRINGTON VIYELLA, the troubled British textile group, is to form a joint venture in warp knitting with Guilford Mills of North Carolina, the world's biggest manufacture of the fabric.

Details are still being worked out, but the companies aim to increase their joint penetration of the European market for warp knit fabrics, which are increasingly used in the motor industry for car seats.

CV is expected to announce a loss of at least £3m for 1980 this month and has been seeking possible links for parts of its business for some time.

Its warp knitting assets—Gainsborough Fabrics based at Sudbury, Essex—will now presumably be merged into any new joint company at a profit to CV.

In a separate announcement yesterday, the company also unveiled plans to cut back on employment in its knitwear division. A total of 400 jobs will be lost in the company's Jersey-Kapwood warp knitting mill at Netherfield, Nottingham, with the closure of a factory at Nottingham and a dye house in Sudbury. Another 50 jobs will be lost in weft knitting in Earlshilton, Leicestershire.

Guilford is comparatively small in Europe, although with sales of $242m in warp knits—its sole business—it dwarfs CV warp knit sales of £25m last year.

The company has had technical and commercial links with CV for some time and started looking around for a possible partner with which to expand in Europe some months ago.

Discussions took place with Tootal over a possible trading relationship with its Condura Fabrics warp knit subsidiary at Workington, but these were dropped in favour of the present deal.

Guilford's reasons for seeking to acquire assets in Europe at a time when many U.S. groups are finding it more economic to export directly from the U.S. are not clear.

The company may have decided, however, that the present advantages enjoyed by U.S. exporters could disappear and that its expansion plans can be handled more securely from a European manufacturing and marketing base.

Guilford may also be interested in the expertise that CV has developed in the one major growth area for warp knits—car upholstery. The general market for warp knit fabrics has dropped substantially during the past 10 years with the disappearance of the warp knit nylon shirt and sheet.

But new womenswear fabrics have been developed in warp knitting, including artificial suedes, and expertise in these fields is likely to be brought into the partnership by Guilford.

Expulsion from Stock Exchange

By Christine Moir

THE two-partner stockbroking firm Norman Collins and on the Stock Exchange yesterday. It is the first time since 1975 that a broker has been declared in default of its commitments—which means immediate expulsion from the Stock Exchange.

The Stock Exchange said the Compensation Fund, set up to cover such cases, and now standing at £1.25m, "would be able to cover this several times over."

Moran firm sued for £350,000

A CLAIM for nearly £350,000 has been made against Christopher Moran and Co., Lloyd's insurance brokers, by Lloyd's syndicate 295.

The High Court writ claims sums received by Moran and Co. as agent for the syndicate between April 4, 1977, and about October last year, an account of the interest paid on the money, and an order for payment of the interest.

Cheap flights to U.S. and South America

CHEAPER air fares between the UK and the U.S. and South America were announced yesterday. Western Airlines will charge £244, or £301 in the peak season, for a return flight between Gatwick and Denver. Viasa offers a £349 return fare between Heathrow and Caracas from February to April. ... ...

Tesco introduces computer shopping

TESCO supermarket group has introduced at a Gateshead library what is claimed to be the first computer-aided shopping service for the elderly and disabled. Shoppers scan a list of nearly 300 grocery items and then place their orders, which can be made up and delivered.

Staffordshire rates to rise by 3.5%

STAFFORDSHIRE County Council decided yesterday to raise rates by only 3.5 per cent, to 112½p in the pound. The county said three years of "hard work and thrift had now paid dividends."

Suffolk ratepayers face a 10.2 per cent rise in the next financial year, to 119p in the pound, if policy committee proposals are approved by the council.

Sales of china clay down 8.5% last year

BY WILLIAM HALL

SALES of china clay, a key indicator of the health of the paper industry, fell by 8.5 per cent last year. Home sales, which account for under a fifth of the total, fell by 10 per cent and export sales were down 8 per cent.

Britain is the biggest producer of china clay after North America, supplying a fifth of world output. Four-fifths of production goes into papermaking and the rest to the ceramic industry. Last year the UK sold 2.8m tonnes of china clay, most of it produced by English China Clays.

CHINA CLAY DELIVERIES
000 tonnes

	Home	Export	Total
1976	525	2,007	2,532
1977	540	2,234	2,774
1978	556	2,303	2,859
1979	543	2,559	3,102
1980	487	2,351	2,838

Source: The China Clay Assn.

Britain's china clay industry, based on Devon and Cornwall, employs 7,000 people. Because of the recession in the world paper industry, demand has dropped in recent months and several opencast pits are being worked on short time.

Roughly half of the china clay bought by the world paper industry goes to fill the small spaces between the pulp fibre, and the rest is used as a surface coating to produce the glossy finish of magazine-type paper. Because of higher consumption throughout the world of coated paper, this is the more buoyant side of china clay sales.

However, china clay is facing growing competition from calcium carbonate, which can do both jobs and is produced by most UK clay companies.

Snuff-bottle sets record

BY ANTONY THORNCROFT

A PORCELAIN snuff-bottle made in China in about 1838, depicting Queen Victoria flanked by officials, sold for £1,600 at Sotheby's yesterday. The price set an auction record for a Chinese porcelain snuff-bottle. This is a strong market at the moment, with many private buyers. A cloisonné enamel snuff-bottle realised £560.

At Christie's a portable, three-panelled house iconostasis of the Palekh School, early 19th century, sold for £2,000 to Brenske, a German dealer. A rare, small pot-lid, Flowers, vase and mirror, sold for £420 at Christie's South Kensington. Among the Staffordshire items a group of Othello and Iago fetched £320.

A Swiss early 19th century decorated bedstead sold for £2,600 at Phillips yesterday to a Swiss dealer who paid £2,200 for a similarly decorated cupboard. A late 17th century long-case clock by Joseph Knibb fetched £5,800.

Investment by Vauxhall '£72m in three years'

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

VAUXHALL, the UK subsidiary of General Motors, said yesterday it had invested £72m, mainly in manufacturing facilities, in the three years up to and including 1979.

The company was responding to suggestions by the motor industry trade unions that Vauxhall was being gradually run-down and starved of investment.

In a document distributed to the 12 MPs for the constituencies *where the Vauxhall plants* are sited, the union said only £25m had been spent since 1978 and only £5m of that was for manufacturing facilities — as distinct from plant to assemble cars from Opel, the German sister company owned by GM.

Replying to the union criticism that Vauxhall was contributing to British unemployment by sourcing most of its components from Germany, the company said: "Car manufacture already is a major part of our operations in Britain and the objective is to source locally where it makes economic sense."

Vauxhall said its vehicle output had never fallen as low as 150,000, as claimed by the unions. Last year, because of the steep fall in demand, output of cars and commercial vehicles was 182,000 against the peak 249,000 in 1974.

While agreeing that the number employed was destined to be reduced this year to about 23,000—"again because of the current economic conditions"—Vauxhall said it had no knowledge of any intention to cut the total to 12,000. In the mid-1970s Vauxhall employed 37,250.

National Freight chief warns of low volumes

BY LYNTON McLAIN, TRANSPORT CORRESPONDENT

TRAFFIC volumes in general haulage and the parcels sector have fallen "far below anything experienced in 1975 which was thought to be a bad recession," Sir Robert Lawrence, chairman of the National Freight Company said in London yesterday.

"Last year was a very bad one for road freight and for rail transport. Demand for haulage services was down by as much as 20 per cent.

"However you measure it last year was bad, made worse for the haulage industry by the fact that some operators continued to buy new vehicles at a remarkable rate well into 1980," Sir Lawrence told a Freight Transport Association luncheon.

The National Freight Company had responded rapidly to the downturn, he said.

The company believed the recession had nearly "bottomed out" and by the autumn a recovery should have begun.

Nevertheless, the haulage industry faced the prospect of shedding more overheads in the first half of the year.

The recession had already forced a more rapid rate of change in some of the company's operating areas, such as the parcels sector, than had been previously achieved. "Investment in new systems and equipment would raise service levels and reduce transit times."

Gold and foreign reserves reach record

BY DAVID MARSH

BRITAIN'S gold and foreign exchange reserves rose to a record $28.39bn at the end of January.

The rise of $918m during the month was largely the result of a new distribution of Special Drawing Rights from the International Monetary Fund as well as revaluation of part of Britain's reserves held with the EEC's monetary fund.

But it also reflected a fresh underlying inflow of funds into sterling.

The latest rise takes the increase during the past 12 months to about $5bn, roughly half of which has represented inflows into the pound.

The underlying increase in the reserves last month—after allowing for public sector credit transactions, the SDR distribution and the EEC revaluation—came to $308m.

This accrual was much larger than the underlying rise of $38m in December and the average increases of around $200m during the previous few months.

Although it is the product of other transactions apart from foreign exchange intervention, this indicates that the Bank of England stepped up its purchases of foreign currencies to smooth the sharp rise of the pound last month.

The SDR allocation, which added $373 to Britain's reserves, represented the final stage of the IMF's three-year programme to boost official holdings of its composite currency unit.

The EEC valuation increase of $266m arises from the 20 per cent of Britain's gold and dollar reserves which are deposited with the central intervention fund of the European Monetary System in return for stocks of European Currency Units (ECUs).

The regular quarterly revaluation of this portion resulted in a net accrual to the reserves. The price of gold used in the calculation dropped slightly to about $594 per ounce from $599 in the previous quarter. But this was offset by other valuation changes connected with the exchange of dollars for ECUs.

Accruals of public sector borrowing under the official exchange cover scheme came last month to $213m, made up of $100m for British Airways and smaller loans for British Nuclear Fuels, the National Water Council and other entities.

CBI proposes Budget cut in company taxation

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE REDUCTION in company taxation proposed by the Confederation of British Industry in its Budget representations published yesterday is intended to be consistent with a tighter fiscal stance than in 1980-81.

The CBI estimates that public sector borrowing in 1981-82 will be about £11bn to £11½bn on the basis of existing policies.

It defines this assumption as including the full indexation of personal income tax allowances in line with inflation but no increase in specific duties to allow for inflation (though most economists assume such an adjustment).

The main tax proposals (two percentage points off the employers' national insurance surcharge and the abolition of the heavy oil duty) would reduce Government revenue by about £1.3bn.

Allowing for some increase in revenue and a reduction in social benefits resulting from the consequential increase in activity, public sector borrowing in 1981-82 would be increased by about £1bn to some £12bn to £12½bn.

This compares with an expected level of public sector borrowing of at least £11¾bn in 1980-81. With inflation this would be equivalent to at least £12¼bn at 1981-82 prices.

The forecast recession will further increase borrowing and the CBI believes that borrowing of about £14bn to £15bn could be considered to be consistent with an unchanged fiscal stance compared with 1980-81.

Sir Terence Beckett, CBI director-general, reflects upon the Budget proposals he presented at yesterday's press conference

Consequently, the CBI believes its proposals are consistent with a tighter fiscal stance compared with 1980-81.

And "with businesses' borrowing from the banks reduced, there should be a relatively modest increase in the money supply, in line with our proposal that it should be restricted broadly to what is needed to finance growth and the lowest practical rate of inflation. This should be consistent with a continued, and substantial, reduction in interest rates."

The CBI estimates that each one percentage point reduction in interest rates would cut interest charges on bank borrowing by industrial and commercial companies by about £350m in the first full year.

A one point reduction in interest rates would also reduce Government debt interest payments by roughly £250m in the first full year.

A new feature of the Budget proposals is the recommendation of a more active policy to lower the exchange rate. This should involve: one, an explicit declaration by the Government that it understands the need for a lowering of the exchange rate and will be seeking to achieve it; two, instructions to the Bank of England to intervene in the foreign exchange market to counter "bull" speculation and sell sterling to the maximum extent compatible with appropriately firm monetary conditions; and three, a continued reduction in interest rates.

Apart from the cut in the national insurance surcharge and the abolition of the heavy oil duty, the CBI also recommends further action on capital tax and that the burden of income tax should not be increased—either by increasing the rates of tax or by failing to raise personal allowances and other thresholds to compensate for inflation.

Extra funds for robot development unlikely

By Elaine Williams

EXTRA GOVERNMENT funds for developing the use of robots and automation in industry are unlikely in spite of Government approval of a report which calls for Britain's application of automation to be speeded up.

Sir Keith Joseph, Industry Secretary, has told Dr. Alfred Spinks, chairman of the Advisory Council for Applied Research and Development, whose report was published early last year, that industry has to bear the main responsibility for taking advantage of the opportunities offered by automation.

But Sir Keith says that within public expenditure limits the Government accepts it has a role in improving awareness and assisting in research, development and demonstration as well as education and training.

Much Government support will be at the early stages during research and design using the existing allocation for the purpose.

The Department of Industry spends £3m a year on computer-aided design and manufacture of its research and development budget of more than £170m.

The council's report said Britain was "in great danger of being left a long way behind in the application of programmable automation and robotics."

This failure posed a greater threat to unemployment than the displacement of labour by machines, the report said.

Stock Exchange business in January

Disappointing start to the year

BY NIGEL SPALL

SO OFTEN one of the stock market's busiest months, January this year was disappointing.

The number of bargains transacted in equities last month increased by 23,942 to 303,548. Total turnover, however, was up on the month by only £0.1bn compared with a rise of £9.2bn in January of last year.

The Financial Times Stock Exchange turnover index for All Securities edged forward to 475.1 in January from December's 470.9 compared with last year's monthly average of 501.2.

Business in equities amounted to £2.14bn against December's £2.24bn; both months contained the same number of trading days.

The average value per bargain in equities fell by £954 to £7,054. The FT turnover index for Ordinary Shares slipped to 382.1 from December's 399.5 and compares unfavourably with last year's monthly average of 458.0.

Equity prices drifted lower during the month with investment demand down to a trickle. Growing doubts about ICI's ability to maintain its dividend when the preliminary results are announced later this month and a fresh setback on Wall Street were partly responsible for the restraint on investment demand.

From an end-December level of 474.5, the FT 30-share index fell to 446.0 on January 14 before picking up on cheaper money hopes to close the month only a net 8.2 down at 466.3.

Trade in gilt-edged securities was also disappointing last month. Business in the sector as a whole was £0.2bn lower at £12.2bn, with turnover in other fixed interest stocks nearly £0.9bn down at £5.8bn. Trade in short-dated stocks compensated somewhat, turnover improving by £0.6bn to £6.4bn.

The number of bargains in British Funds rose by 9,812 to 81,545 with dealings in the shorts 2,914 up at 25,864 and in other fixed interest stocks 6,898 higher at 55,681. The FT turnover index for British Government securities was 516.3 compared with December's 525.3 and the 1980 monthly average of 535.0.

Gilt-edged prices, after faltering in the early part of the month, made up lost ground helped by hopes for an early cut in Minimum Lending Rate. The Government Securities index fell from an end-December level of 68.69 to 68.05 on January 16 before rallying to close the month 0.52 higher on balance at 69.21.

Largely reflecting the $83 tumble in the price of gold bullion, the FT Gold Mines index dropped 114.3, or 28 per cent, on the month to 293.2.

Category	Value of all purchases and sales £m	% of total	Number of bargains	% of total	Average value per day £m	Average value per bargain	Average No. of bargains per day
British Government and British Government guaranteed							
Short dated (having five years or less to run)	6,380.2	41.2	25,864	6.2	303.8	246,702	1,232
Others	5,817.7	37.5	55,681	13.3	277.0	104,482	2,651
Irish Government							
Short dated (having five years or less to run)	472.5	3.1	2,671	0.6	22.5	176,911	127
Others	176.8	1.1	3,080	0.8	8.4	57,413	147
UK local authority	376.9	2.4	4,261	1.0	17.9	88,460	203
Overseas Government Provincial and municipal	20.7	0.1	1,373	0.3	0.9	15,059	65
Fixed interest stock Preference and preferred Ordinary shares	116.7	0.8	21,627	5.2	5.5	5,395	1,030
Ordinary Shares	2,141.2	13.8	303,548	72.6	102.0	7,054	14,455
TOTAL (Categories 1-8)	15,503.2	100.0	418,105	100.0	738.2	*37,080	*19,910

* Average of al lsecurities.

Charities hit at 'crippling' VAT

CHARITIES should be treated in the same way as local authorities for Value Added Tax purposes, the National Council for Voluntary Organisations has told Sir Geoffrey Howe, the Chancellor.

Local authorities do not pay VAT on costs of running residential homes and providing special care for children and the elderly, but charities have to pay VAT for providing identical services. Mr. Nicholas Hinton, NCVO director, has called VAT "crippling."

A report from a working party of charities and financial experts convened by the council says the virtual doubling of VAT from 8 per cent to 15 per cent in June 1979 has placed many charities in difficulty.

Textile retailers hopeful as stocks are curbed

BY JAMES McDONALD

RETAILERS of textiles and clothing are markedly more optimistic about the general business outlook than four months ago.

But this is because their stocks now appear to be under control and not because of increased sales, says the latest joint survey of trends in textiles and clothing by the Confederation of British Industry and the National Economic Development Office.

Manufacturers are still pessimistic about the general business situation and export prospects. Fewer say they are mor pessimistic than four months ago, but "this may be due to the better stock position.

The manufacturing order book position remains very serious, the reports says and there has been a further decline in teh export order book.

Utilisation of manufacturing capacity has continued to decline in the past four months, with 80 per cent of firms working below capacity compared with 76 pe cent in October.

Sales in the retail sector are still marginally down, in volume terms.

Trends in Textile and Clothing—January 1981, Joint Textile Committee, National Economic Development Office, Millbank Tower, Millbank, London, SW1. £17 (CBI members), £30 (non-members).

Action unlikely on BL sackings

BY PHILIP BASSETT, LABOUR STAFF

SHOP STEWARDS at BL Cars' Longbridge plant in Birmingham yesterday rejected a call for industrial action in support of the six men who remain dismissed for their alleged role in a near-riot at the factory in November.

The dismissals provoked a strike at the plant which halted production of the Mini Metro. The strike was suspended for an inquiry into the alleged incidents. After the report of the inquiry last week, BL reprieved two of the eight originally dismissed, but action against the other six stood.

The Longbridge works committee then sought a mandate from the plant's 200 shop stewards to take selective action in support of the six. However, at a stormy meeting yesterday, the stewards instructed the committee to call a mass meeting of the plant's 16,000 manual workers. *Support for militant* action from the mass meeting now seems unlikely.

Mr. Terry Duffy, president of the Amalgamated Union of Engineering Workers, said the reprieve of the two men substantiated the union's belief that a number of the men disciplined could be exonerated.

Mr. Duffy welcomed the study by the Japanese Nissan company into the feasibility of setting up a plant to produce Datsun cars in the UK. B ut he said Datsun should guarantee to use British compoennts and materials.

Shop stewards at the Talbot car plant at Linwood, Scotland, yesterday launched a campaign designed to remove doubts about the plant's future.

Letters are being sent to every MP, senior union officials and EEC members. The stewards are producing a four-page paper stating their case, which calls for Peugeot Citroen, the French parent company, to introduce a new model at Linwood and to invest about £120m in new plant to bring the factory up to comparable European standards.

Talbot is to make a statement later this month on the future of Linwood. The stewards want Peugeot Citroen to honour its commitment to the Labour Government in 1978 that it intended to maintain a UK manufacturing base. Linwood closure would mean the loss of about 4,500 jobs.

Ford lorry drivers reimpose pickets

By Our Labour Staff

LORRY DRIVERS at Ford's Dagenham site yesterday reimposed picket lines which have halted a large part of the company's vehicle output.

Layoffs at Dagenham, Southampton, Langley and a number of other plants has now risen to about 16,000. Production of Cortinas and Fiestas at Dagenham and Transit vans at Southampton has stopped and truck production at Langley disrupted as a result of the week-long strike by the 440 Dagenham drivers.

By this morning production of 3,000 cars and 750 vans, based on normal output targets, had been lost with a showroom value of £15m-£16m.

Union district officials addressed the drivers yesterday on the outcome of Monday's abortive talks with management

The company last year halted the regular series of five truck trips per week between Dagenham and some European plants, mainly Genk. The management believed the drivers had accepted that decision.

Unions cool over TUC plan

BY CHRISTIAN TYLER, LABOUR EDITOR

PROPOSALS IMPLYING a transfer of trade union power to the TUC General Council were given a lukewarm reception by several of the biggest unions yesterday in the first public debate on the Congress' review of its own organisation, structure and services.

The proposition had been put starkly by Mr. Sid Weighell of the National Union of Railwaymen. He said unions should *change their constitutions to* allow the transfer of power and face a consequent diminution of their own autonomy. "If you have an army of 12m you ought to be able to command it," he said.

Towards the end of an all-day consultative conference at TUC headquarters Mr. Weighell was supported by Mr. Roy Grantham. Representing the clerical workers belonging to APEX, Mr. Grantham said Congress should negotiate an outline wage agreement with a collective of employers, within which each union would have some flexibility to suit its members' needs. This would prevent "the inequity and injustice of free collective bargaining."

But the transport workers and the engineers registered their disapproval of any fundamental changes in Congress's role. Smaller unions on the Left warned that a wage-restraint policy was implied by the plans.

The conference was opened by Mr. Len Murray, TUC general secretary. He said the unions' image was not good. "We have to show that we can balance our responsibilities to our members with our wider responsibilities," he said.

Joint union action was necessary sometimes. Wasteful and debilitating inter-union competition should be eased by mergers. He suggested union subscriptions were too low, and that Britain's workers were getting their unionism "on the cheap."

Entering more coniroversial territory he said Congress had not got the right mechanisms for ordering its priorities, suggesting that its industrial sub-committees might help in matters of recruitment and in determining bargaining aims.

In improving communications, regional representation and the work oft rade unionists sitting on public bodies the Congress was not talking about creation of a massive, centralised, bureaucratic Congress House, he said.

But the prospect of more bureaucracy worried Mr. Gavin Laird of the engineers. He rejected any idea that Congress might take powers to fine affiliates for indiscipline.

For the transport workers Mr. Moss Evans injected controversy by suggesting that the non-bargaining work of the Confederation of Shipbuilding and Engineering Unions (in which the engineers have the biggest say) could be taken over by a TUC industry committee for engineering. He also called for a common policy on the payment of strike benefit.

Mr. Bernard Dix, for the public employees, questioned whether Congress was taking the right road at all. There had been too much concentration on cosy relationships at national level.

Many speakers criticised Congress's habit of organising the congress agenda into long-winded composite *motions* which stifled debate. There was general support for increasing services and regional organisation but less enthusiasm for giving the TUC a say in promoting or debarring trade union mergers.

Unions have been asked to make written submissions by *mid-March and a list of specific* proposals and a financial assessment are to be put to another consultative conference on May 19. Voting on reforms will take place at the September congress.

Townsend resumes pay talks with seamen

By Pauline Clark, Labour Staff

PAY TALKS between the National Union of Seamen and Townsend Thoresen, the major ferry company, resumed yesterday amid union hopes of a settlement that would break the 12 per cent barrier imposed nationally by employers in the seamen's pay dispute.

The negotiations cover about 250 seamen working for the company in Southampton where Townsend Thoresen ferry services have been halted following a row over seamen laid off after taking industrial action.

Talks broke down last week when the company offered to increase consolidated pay rates for ferrymen of £170 a week by £17.

About 300 seamen were laid off by Sealink at Holyhead yesterday when operations by three ships were stopped because crews refused to give 24 hours notice of strike action affecting ferry services. The union offered 12 hours' notice.

Ferry services between Holyhead and the Irish Republic were hit by a walkout by seamen in support of crews on two Sealink container vessels, whose pay was stopped after strike action.

The National Union of Seamen claimed *yesterday that several* shipping companies had approached the union for details of its pay claim centred on a demand for overtime rates at time-and-a-half.

This follows a 14-16 per cent independent settlement with the union last week by Canadian Pacific, which has since withdrawn from *membership of the* General Council of British Shipping.

The GCBS said yesterday it knew of local negotiations with seamen in "several ports." But it emphasised that these were with the "complete support" of the GCBS. The council knew of no proposed deals that exceeded the 12 per cent policy.

In a statement it said: "We believe that seamen are getting more and more fed up. They are losing pay and National Maritime Board benefits at the rate of at least £60,000 a day." Some men have been laid off since the start of industrial action four weeks *ago and would have lost* about £500 in wages.

The NUS came under mounting pressure yesterday to step up industrial action when Cardiff seamen called for a national delegates conference to sanction an all-out strike.

The GCBS said yesterday that 192 ships were held up by stoppages, 118 of them in British ports.

Banks put disputes plan to staff

BY NICK GARNETT, LABOUR STAFF

DRAFT PROPOSALS on new negotiating machinery and disputes procedures, which include voluntary, binding arbitration, have been sent to the banking industry's two main unions by the Federation of London Clearing Bank Employers.

The proposals, to be discussed tomorrow at meetings between the federation and the unions, involve separate but identical arrangements for the Clearing Bank Union and the Banking, Insurance and Finance Union.

They have been designed by the banks as a way of injecting some order into the national negotiating structure for the five main clearers. Although the industry has national negotiations it has no proper negotiating machinery and no formal national procedure arrangements.

The proposals are in a six-page document sent to the unions' general secretaries. They contain elements which some union officials, particularly those in BIFU, might find un*acceptable*.

The draft document proposes the setting up of separate joint national council to cover issues and non-clerical staff, and the possibility of a combined joint nationa lcouncil to cover issues that jointly affect clerical and technical staff, for example London weighting allowances. The two unions would have a separate but parallel joint negotiating council system operated with the federation.

The joint councils would meet at least four times a year. They would have the power to create separate working parties and sub-committees using co-opted members.

If the federation and one or both unions found it difficult to agree on a settlement, the proposals envisage the need to register two counts of "failure to agree." After registration the parties have 15 days in which to approach the Advisory, Conciliation and Arbitration Service.

If the federation and one or *both unions agree to take the* issue to arbitration this would be the next step. If one of the two unions was not party to this decision it would have five days, or longer if necessary, to decide whether to participate in the arbitration by making its own representations

The separate procedure documents say the arbitration result would be binding on the federation and "the union" and on "any other union with which the federation has a similar procedure agreement." That would bind the federated banks and both unions to the arbitration result.

Shoe plant men offer pay freeze

Financial Times Reporter

WORKERS AT the threatened Nordic Shoe Company have volunteered to have their pay frozen for a year in an effort to keep the factory in business.

The company, which employs nearly 700 people in Norwich, and 376 at Mansfield, had been given *until* Friday to find ways of raising £750,000 by the company's bankers, may appoint an official receiver.

Mr. Cliff Braithwaite, president of the Norwich branch of the shoe workers' union NUS LAT, said the workforce had *suggested the pay freeze to* try to help the company through its financial difficulties. They were due for a 3 per cent cost of living increase next month but scrapping this would save the company £18,000.

Mr. Braithwaite added: "They are also prepared to turn down another cost of living increase in September which they would he entitled to under a national agreement."

Mr. John Garrett, a Norwich Labour MP, has already written to Sir Keith Joseph, Industry Secretary, urging the Government to guarantee the necessary loans.

More doctors join BMA

THE BRITISH Medical Association said yesterday that its membership by the end of 1980 was 56,675 compared with 54,719 at the end of 1979—a net increase of nearly 2,000. Total membership for the period—including overseas members—rose from 64,896 to 65,650.

Between January and December, 1980, the BMA enrolled 6,660 new members. Up to the end of January 1981, more than 48,000 doctors had already paid their subscription compared with 43,000 at the corresponding time last year and only 35,000 in 1979.

Dr. John Havard, the BMA secretary, commented: "This welcome increase in membership is a clear sign that we are on the right lines in increasing our personal services to members through our regional activities and in strengthening the specialist departments."

Dispute halts evening paper

THE NEW STANDARD, London's evening paper, was not published yesterday because of a pay dispute involving process workers.

A number of picture blocks were not made for the first edition and management decided there were too many blank spaces to send the paper out.

The problem was settled in time for the second edition—but by then the van drivers had been sent home. The paper is expected to be back today.

University clerks are 'paid 5% below norm'

BY PHILIP BASSETT, LABOUR STAFF

THE GOVERNMENT'S pay comparability commission yesterday found that the pay of about 19,000 university clerical workers is overall 5 per cent behind that of staff in comparable outside jobs.

While the commission recommended no award of this figure, leaving the report instead to be the subject of negotiations, it did go so far as to state that this year's negotiations for the group should "start from the correct base."

The *commission, formerly* chaired by Professor Hugh Clegg, has two more references to complete, probably by next month, before its work is finished. The Prime Minister announced last year the winding-up of the commission once it had completed its work.

The report covers about 14,000 full-time and 5,000 part-time secretarial, clerical, library and other staff in 43 universities. Some 4,000 clerical staff at other universities and institutions negotiate separately.

The report follows a 24 per cent pay claim in 1979, which led to industrial action, then a *9.4 per cent increase from July* 1, 1979, and a request for a comparability study. A further increase of 5 per cent was paid from January 1 last year, and then a final lump sum payment to settle the claim.

The reference was made in May 1980, and the staff received a further increase of 13½ per cent from July 1 last year pending the report.

The commission found that the pay of different grades of the group ranged from 10.5 per cent behind comparators to 8.7 per cent in front. After taking account of longer holidays, *worth 1.3 per cent, but worse* fringe benefits, estimated at about 1 per cent, the commission found the group about 5 per cent behind overall.

Present pay rates, including the 13½ per cent interim increase, range form £2,451-£3,414 yearly in the lowest grade to £5,772-£6,651 in the highest.

The four unions representing the clerical staff will meet next week to discuss the report, the recommendations of which are not binding, before resuming negotiations.

However, Miss Rita Donaghy, chairman of the national universities' committee of the National and Local Government Officers' Association, said yesterday that the report was disappointing, going only a small way towards recognising the real worth of the staff.

Standing Commission on Pay Comparability — Report No. 13: University Clerical Staff. HMSO, £2.40.

Meal staff offer

ABOUT 1,200 school meal staff will not lose their jobs if they accept a formula worked out by the National Union of Public Employees and Norfolk County Council. They will have to prepare meals quicker for less pay and give up free meals.

UK NEWS—PARLIAMENT and POLITICS

Rodgers unmoved by Foot's pleading

By Elinor Goodman, Lobby Correspondent

MR. BILL RODGERS kept the idea of a new Social Democratic breakaway party on the boil yesterday with a speech which appeared to reject Mr. Michael Foot's attempts to stop the Gang of Three leaving the Labour Party.

The time, he said, was ripe for the political mould to be broken "however painful it might be" and even if many people would prefer it not to happen.

Mr. Foot apparently felt after Monday's private meeting with Mr. Rodgers, Mrs. Shirley Williams and Dr. David Owen that he had at least succeeded in persuading Mrs. Williams to pause for thought, but in his first public comment since the meeting Mr. Rodgers showed no signs of changing course.

He said that increasingly the electorate was "footloose and up for grabs."

The momentum behind the breakaway will be maintained tomorrow as planned with the publication of advertisements showing the widespread support for the movement in the country. A financial committee may be set up soon to coordinate fund raising.

But there were also signs yesterday that events in some areas might be moving too fast for comfort. In Stockport, 11 people claiming to be former Labour Party supporters came out in support of the Council for Social Democracy and declared their intention of fielding candidates in the local elections.

The founders of the Council had originally hoped to delay any final break with Labour until after the local elections, and even if they do now decide to make the break before May, they would not want to risk upsetting the Liberals by contesting local government seats.

The Gang of Three has been careful not to endorse the activities of the militant Social Democratic Alliance and were apparently not consulted by the Stockport group before they made their announcement.

In Wrexham, Mr. Tom Ellis, another founder of the Council, was last night expected to be asked by his constituency organisation to leave the party.

At the same time Mr. Michael Thomas, the Labour MP for Newcastle East, drew out his decision over whether to stand again as Labour MP for Newcastle East by writing to all 30,000 households in his constituency seeking electors' views.

At least one opinion poll has suggested that Mr. Thomas would lose his seat if he fought it as a Social Democrat. But yesterday Mr. Thomas insisted he had not made up his mind whether to follow Dr. David Owen's example and refuse to stand again as a Labour candidate.

At Westminster, most Labour MPs now assume it is only a matter of time before the Social Democrats break away. MPs are treating the Gang of Three as political enemies.

Biffen rejects Sunday Times referral claim

BY RICHARD EVANS, LOBBY EDITOR

MR. JOHN BIFFIN, Trade Secretary, has rejected unequivocally Opposition claims that the Murdoch bid for the Sunday Times should have been referred to the Monopolies and Mergers Commission because it is basically profitable.

He also refuted reports that he had ignored legal advice that the case should be referred to the Commission. "I have received no such advice from any quarter," he wrote yesterday in a letter to Mr. John Smith, Shadow Trade spokesman.

But Mr. Smith's immediate response was that the letter raised more questions than it answered and he demanded publication of all relevant figures on which the decision not to refer the Sunday Times was based.

In his letter, Mr. Biffen said his department had estimated a loss for the first nine months of last year for the Sunday Times of £700,000.

This was based on figures contained in a document prepared by S. G. Warburg, the Merchant Bank for prospective purchasers. These were supplemented by his department's accountants with information and explanations provided by Times Newspapers and Warburg's.

The basic figure in the Warburg document was a loss of £600,000 for 1980, estimated with the benefit of the actual figures for the first nine months. The figure of £700,000 was reached after making the necessary "proper" adjustments.

Mr. Biffen had also been told that the first draft accounts (unaudited) for the year showed a more favourable figure than had been estimated but still entailing a loss after adjustment of £300,000. With remuneration of capital this loss would have been even greater.

"I have to say that I am not aware of a forecast or any actual results later than those on which the Warburg estimate was made which show a profit for 1980 even before allowing for interest on capital," Mr. Biffen wrote.

As for future years, the basic Warburg figures were intended to indicate the range of "the future profit potential" a prospecive buyer might be able to attain, on certain major assumptions.

"Those figures were not held out to be forecasts of what was actually expected. Accordingly, my department's accountants considered these figures critically, and formed the view that in important respects those assumptions could not be relied on and therefore adjusted some of the Warburg figures, substantially downwards."

Smith: demanded publication of all relevant figures

Mr. Biffen stressed that he agreed with this judgement and such were the uncertainties for the future that he considered it unsafe to place much reliance on figures for years well ahead of the present.

He had also considered the possibility of the Sunday Times being treated as a wholly separate newspaper without any other newspaper contributing to overhead costs.

But the conclusion has been that on this basis the position appeared even less favourable.

In his reply, Mr. Smith said he was disturbed that the latest figures available were the more complete draft accounts for the whole of 1980. He demanded that these should be published.

Mr. Smith also wanted to know whether Warburg's had considered the separate existence of the Sunday Times from the rest of Times Newspapers and if so, what their conclusion had been.

"Given a now admitted loss of only £300,000 on a total turnover of over £50m in 1980, which I think you will agree is hardly exceptional in the present economic climate; and given expected future profitability, I must ask you again to make public the actual detailed evidence on which you decided that the Sunday Times is not now a going concern," he asked Mr. Biffen.

The Opposition intends to continue to press for the Sunday Times to be referred to the Commission, but there now appears no prospect of this happening. The success or failure of Mr. Murdoch's bid for all Times Newspapers now depends on the negotiations he is concluding with the trade unions.

● Negotiations between Mr. Murdoch's negotiators and the Society of Graphical and Allied Trades, which represents the nearly 500 warehousemen and drivers at Times Newspapers, ended late on Monday evening without agreement on manning cuts.

SOGAT has proposed "minimal" reductions in manning, believed to be well below 5 per cent of its membership. This compares with Mr. Murdoch's demand for around 25 per cent.

However, both sides agreed to continue negotiations, and Mr. George Willoughby, secretary of SOGAT's Central London branch, said yesterday he was "more optimistic" over the proposed deal than formerly.

A meeting next Monday between the union and the negotiators would, he said, be the decisive one where it would become clear whether or not agreement could be reached.

Thatcher reaffirms strategy for fight against inflation

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE Prime Minister reaffirmed her economic strategy in the Commons yesterday and again emphasised she does not intend to cut and run by reflating.

Speaking on the eve of today's crucial meeting of the National Economic Development Council, Mrs. Thatcher stood by the remarks she made in her widely publicised weekend television interview.

"The way to provide sound long-term jobs in the future is to fight inflation now and to continue to fight it," she told MPs.

Mrs. Thatcher—who will chair today's NEDC meeting which will be attended by the CBI and the TUC—was coolly non-committal when questioned about the TUC's programme for a £6.2bn expansion of the economy.

The need for reasonable wage claims was another theme running through her replies as she was cross-examined during Prime Minister's Question Time. She also argued that the rate of inflation was coming down faster in the UK than in some other comparable countries.

There were loud shouts of support from the Tory benches when Labour MPs raised the subject of her weekend TV appearance. Mr. Alfred Dubs (Lab., Battersea South) asked *if she was really suggesting she* would not change her policies if unemployment reached three or four million. He recalled that in the 1930s high rates of unemployment and low rates of inflation had co-existed.

Mr. Michael Foot, Labour leader, thought it "most regrettable" that Mrs. Thatcher had reaffirmed her TV interview. He wondered if this meant that she would flatly refuse to consider the alternative policies which the TUC and CBI would be putting at today's meeting.

"What will be the purpose of the meeting if you are not going there to listen?" he asked.

Mr. Foot said the present Government had the unique record of achieving far worse recession in Britain than in other countries combined with a higher rate of inflation. Since Mrs. Thatcher continued to boast about getting down the rate of inflation, he wondered when it would sink to the level she inherited from the Labour Government in 1974.

Tartly, Mrs. Thatcher replied that if Mr. Foot was interested in securing better long term prospects for jobs, he should fight inflation now. If he was not interested then he should embrace the short term expedient of reflation and printing money now.

She said that the arrangement for her to take the chair at today's meeting had been made long before the publication of the TUC economic document. Doubtless however, the TUC would wish to bring up some of the proposals in the document during the discussion on industrial policy, she said.

Mr. David Steel, Liberal leader, asked if the Prime Minister had any comment on the article in The Times suggesting that the tax burden of the average individual had increased by 10 per cent over the last two years. He wondered if she could confirm that figure and if she regarded it as part of her battle against inflation.

Mrs. Thatcher replied that the overall tax burden included very considerable taxes levied on North Sea oil revenues. If she had followed the advice from the Liberal Party and Labour Party to increase public expenditure, the tax burden would now be a lot worse.

Social security not exempt from cuts, says Jenkin

BY IVOR OWEN

CUTS MADE by the Government in spending on some areas of Social Security provision were unavoidable, Mr. Patrick Jenkin, Social Services Secretary, said in the Commons last night.

He rejected Opposition charges that Government policies were destroying the welfare state, and confirmed that an announcement about uprating benefits will be made after the Budget.

Mr. Norman Buchan, Labour spokesman on Social Services, led an Opposition attack on the "increasing poverty resulting from Government policies."

Mr. Buchan promised that whatever problems were inherited by the next Labour Government, "our solutions will not be at the expense of the poor."

Mr. Jenkin, who stressed that the social security budget accounted for a quarter of all public spending (£20bn a year), *accused the Opposition of being* unrealistic.

With social security by far the highest spending programme, it was inevitable that it should have to provide some of the savings needed in public spending.

He warned that Labour policies would lead to higher inflation, higher taxes and a quick return of the men from the International Monetary Fund.

Mr. Jenkin hit out at Labour criticisms of the increased resources allocated to detecting social security abuses, and promised an early report on the success achieved. It was disclosed later that 1,050 more staff are employed on fraud and abuse work than when the *Government took office in May,* 1979.

In what he described as a further step in the campaign for "open government," Mr. Jenkin said that a new manual dealing with the administration of the revised supplementary benefit scheme, which came into operation last November, will be made available to the public.

He said publication of the manual would help to remove suspicions that social security provision was operated on "secret instructions."

Mr. Jenkin urged those who called for still higher spending to consider that the social security budget had grown in *real terms by £7bn in the last* ten years. This was costing each household in the land £1,000 a year.

He also stressed that even after the savings made by the Government, the total social security programme would rise in real terms in 1981-82.

Mr. Jenkin said any Government, faced with the problems which confronted the present administration on taking office, would have had to cut some areas of social security spending. To have exempted social security would have meant imposing disproportionate cuts elsewhere.

Mr. Buchan accused the *Government of cutting social* security while providing tax handouts for the rich.

The consensus on the welfare state which began with the publication of the Beveridge Report during the war had been smashed.

Instead, he asserted, Ministers had pursued policies which, with their emphasis on means testing and the need to seek out "scroungers," reflected the ethics of the workhouse.

Second complaint on EPTU affiliations

BY JOHN LLOYD, LABOUR CORRESPONDENT

COMPLAINTS made by a second South London Constituency Labour Party against the Electrical and Plumbing Trades Union are to be investigated by the Labour Party's organisation sub-committee at its meeting next Monday.

The party in Dulwich is complaining about requests by a number of EPTU branches to affiliate. This would give the union the right to send more delegates to the general management committee.

The nature of the complaint is thought to be different to that at neighbouring Bermondsey where the party's national executive has bowed to a request to freeze EPTU affiliations.

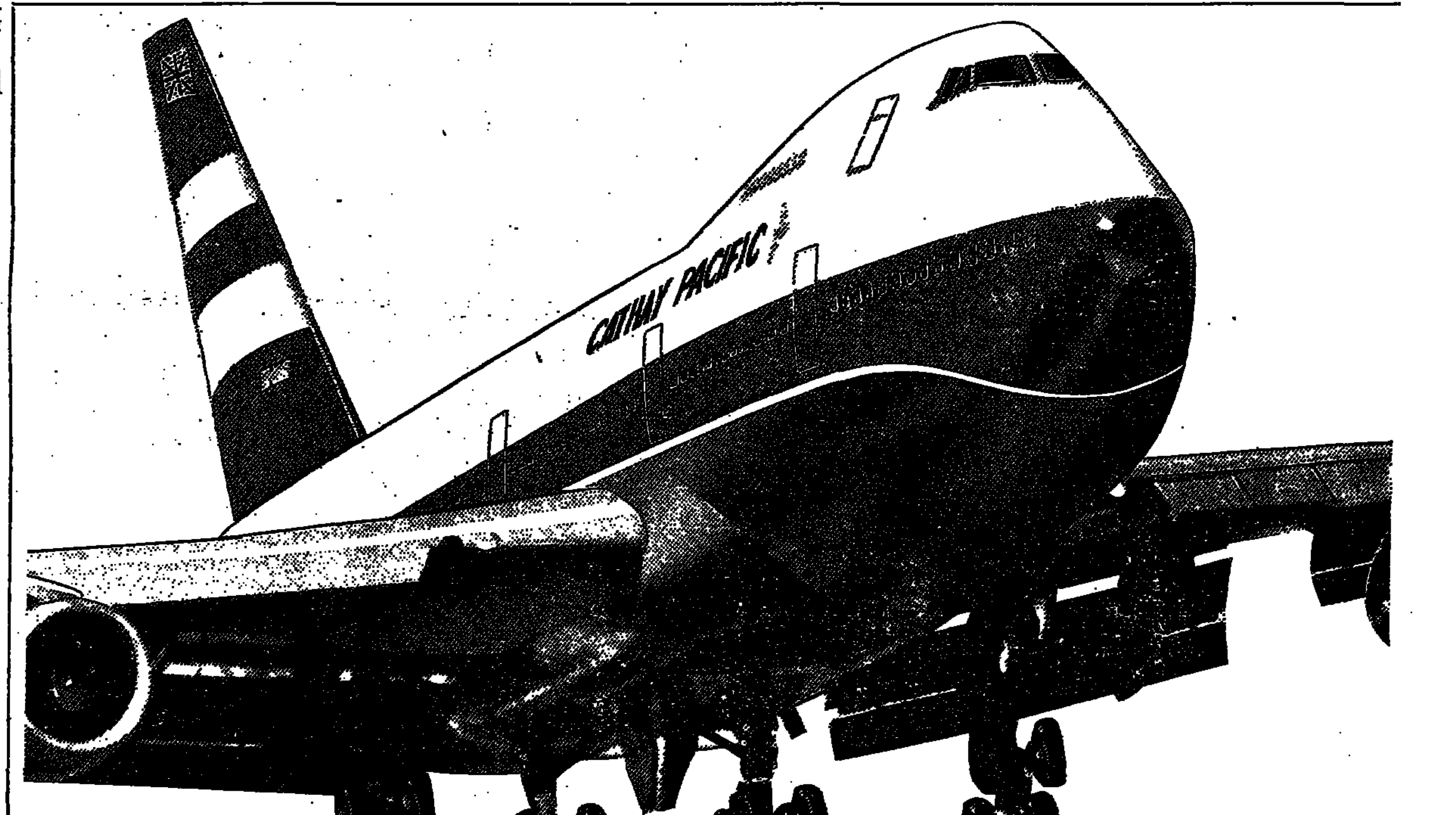
The EPTU's executive council has empowered Mr. Frank Chapple, the union's general secretary, to take legal action against the party over the decision.

That decision, taken against the advice of Mr. David Hughes, the party's national agent, was accompanied by the appointment of a sub-committee of the organisation committee to investigate the practice of trade union affiliations to CLPs.

Mr. Chapple said yesterday that, following the executive council's decision at its meeting on Monday, he was now taking advice on how best to proceed with legal action.

The Dulwich constituency, unlike Bermondsey, is a marginal Labour seat presently held by Mr. Sam Silkin, the former Attorney General, with a majority of 122. Mr. Silkin said last summer that he did not intend to stand again at the next election.

The selection of a new parliamentary candidate is now well advanced and a short list has been prepared.



Why the quality revolution must start at the top

BY CHRISTOPHER LORENZ

LEARNING FROM THE JAPANESE — PRODUCT QUALITY

INSCRUTABILITY is not a Japanese monopoly. Westerners, too, have their fair share.

The attitude of British businessmen to product quality is a perfect example. Only a professional psychologist could provide a really convincing explanation of why, against all objective evidence, the British persisted throughout the 1960s and 1970s to believe the conventional wisdom that price is of supreme and virtually exclusive importance in trade relations.

Of all the "non-price factors" that one could name—delivery, design, reliability, service—only the first has received much attention (and then often to little effect). The other three, which together constitute "quality", have remained peripheral also-rans.

It is only now, when sterling has been riding high on the exchanges for three painful years and when Japan's quality revolution is threatening to drive many of them out of business, that most industrialists have recognised the need to join in a game the Swiss and Germans have played for at least 20 years: expanding their sales, and at the same time protecting them against the disadvantages of a strong currency, by giving quality its rightful place in national and corporate priorities, and by moving up-market.

To give them their due, Ministers in the last Labour Government had begun to proclaim this message well before their election defeat in mid-1979, as had some of the men who are now in Mrs. Thatcher's Cabinet. Their warnings have taken on added weight since then, with Tory monetarist policies helping to keep sterling strong.

As the Trade Department put it in its "Approach to Quality" paper last November, "overseas firms which combine market-researched designs with a strong awareness of the customer's needs on quality and delivery have been capturing an increasing share of the market."

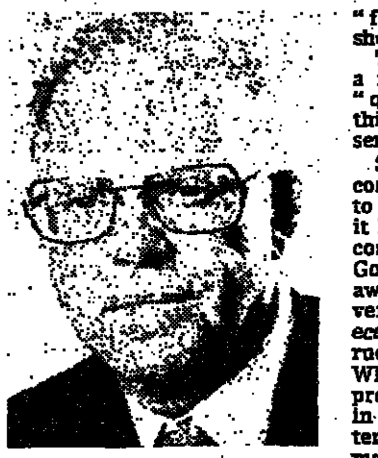
The trouble, as any industrialist will tell you, is that a company cannot improve quality and go "up-market" overnight; it takes years of re-planning, re-training, re-designing (possibly re-financing), and re-launching.

Phil Crosby, the chief architect of ITT's systematic new approach to quality in the 1970s, underlines this problem. His success has now transformed him into a best-selling author (with the 1979 McGraw Hill book "Quality is Free") and well-remunerated quality consultant. But he says it took "five to seven years of unrelenting effort" to achieve the organisational "culture revolution" that was needed at ITT before the new approach could *really take root.*

The doyen of quality management in both East and West, Dr. Joseph Juran, also warns that there are no short-cuts to quality. He has especially harsh words for those companies in the U.S. and Europe which are rushing to indulge in the new fashion for quality circles. As previous articles in this series have shown, quality circles are not a cure-all, whether for poor employee motivation, or for inadequate quality and productivity in either white collar areas or the shopfloor. But Juran goes further, throwing doubts on their likely effectiveness in the West, where few company hierarchies are permeated with executives trained in quality management. This is in complete contrast to the pattern in Japanese companies, where he says it took about a decade for the post-war quality training courses to work their way down through company hierarchies before the concept of workers' quality circles was launched.

Goaded

On a lecture tour in Europe last autumn Juran repeatedly rammed home the message that the majority of quality problems in industry are the fault of poor management, rather than poor workmanship on the shop floor. "In general, management-controllable defects account for over 80 per cent of the total," he claimed, complaining that the much-vaunted "Zero Defects" approach (pioneered by Phil Crosby as part of ITT's quality system) was based on the idea that the bulk of quality problems arose because workers were careless and not properly motivated. The U.S. military may have "goaded" many of its contractors to instal the system, Juran went on, but he



Phil Crosby: pioneer of the "zero defects" approach—based on the idea that the bulk of quality problems arose because workers were not properly motivated

claimed that, in general, "nothing much useful happened . . . because the basis was invalid."

Instead of relying for better quality just on the efforts of the workers, Juran called on management to take two essential steps: first, and at once, to grasp its responsibilities, and embark on a carefully organised programme of quality improvement, aiming at—among other things—a radical improvement in reject rates.

Secondly, management should set up a long-term training programme on how to improve quality still further. This should be designed for the entire management and supervisory hierarchy, but like the Japanese, it should start *at the top*. Juran says he knows his proposal irritates senior managers. "Their instinctive belief is that upper managers already *know what needs to be done*, and that training is for others—the workforce, the supervision, the engineers. It is time to re-examine this belief."

There are signs in Britain that the Department of Trade agrees with this, though not with Juran's coolness towards quality circles. Its paper last autumn to the National Economic Development Council stressed the key importance of top management involvement, and talked about the need to instal training programmes "from top management to the shopfloor."

This theme is likely to form a major part of a Government "quality awareness campaign" this spring, involving several senior Ministers.

Sceptical businessmen who complain "why should we listen to the Government? What does it know that we don't?" should consider the success of the last Government's micro-electronics awareness programme in converting managements to the *economic potential and technical* rudiments of microprocessors. A Whitehall machine which promulgates the quality message in such simple but convincing terms as "Quality is the art of making people buy your products twice"—to quote one Government official—certainly has a positive role to play in cutting through all the technical verbiage that tends to surround the subject and deter the outsider.

Whether the current Government will back its conviction with a multi-million pound incentives programme as in the case of micro-electronics, must be doubtful. More likely is a small number of measures designed to create a more favourable environment for companies trying to improve quality.

Plethora

One strand of this approach now under discussion is the possible generation of a national register of quality-assessed companies. This would list companies which had been assesed, indicating to which of the many standards it conformed and which organisation had done the assessment (there is a plethora of such bodies in Britain at present).

Formally, the purpose of the register would be to assist the public sector, including nationalised industries, to purchase high-quality products and services, but the private sector would also be encouraged to "borrow" the list for its own purposes.

One of the main quality standards which would feature on the register is the new British Standard 5750 on "Quality Systems."

Published in late 1979 and modelled on Ministry of Defence practice, this is a major innovation, in that it shifts the emphasis from quality inspector standards towards assessment of a supplier's quality management system.

Most of the Department of Trade's current thinking on *quality standards will be welcomed* by the private sector, in that it steers clear of most of the proposals for new institutional controls which have dogged past Government quality programmes.

But reaction to the quality register in the *private sector* may be mixed. The most enthusiastic "borrowers" are likely to be on the purchasing side, rather than in marketing, except in the case of public sector suppliers who will be delighted when all the nationalised industries drop their individual quality approvals procedures in favour of a common standard.

But some companies remain sceptical of the Government's argument that the application of uniform or co-ordinated quality and testing standards will help them in export markets, by boosting Britain's reputation for product quality. Even from a Tory administration, such arguments smack of yet more bureaucracy, the sceptics feel.

Some quality experts go even further, attacking the whole emphasis of management and Government on systems and procedures as the road to better quality.

The development of quality assurance since the 1960s has been beset with bureaucracy, says David Hutchins, who runs his own consultancy. "In general, quality assurances failed, because systems don't involve people, either managers or the shopfloor."

To Dr. Juran's claim that management is responsible for over 80 per cent of product defects, Hutchins replies that such a statement presents quality management as far too much of a top-down process.

"It must be co-operative," he argues, which is why he is such an advocate of quality circles, and why he agrees with the Whitehall official who enthuses "quality is a philosophy, not a specific activity."

On Friday's Management Page: Linking quality with design, marketing and manufacture.

Company cars: a Tory anomaly under siege?

BY ERIC SHORT

EMPLOYEE BENEFITS

THE company car is now well established in Britain as the most valuable and glamorous of employee benefits. Not only do those lucky enough to have one revel in the feeling of "one upmanship," they also find that it is the most *tax-efficient* way of running a car. This remains true even under the Tory Government, which is supposedly opposed to company cars.

The economics are simple: a company can provide its employees with a car and meet all the costs of operating, insuring and servicing it without the employee paying a penny towards the cost. In return, the employee is taxed as receiving a benefit in kind. While the private owner of a modest 1600cc Cortina who averages 10,000 miles a year has to allocate over £2,000 for running costs and depreciation, the Revenue taxes him only on £250 if the car is owned by his company.

Qualify

At the moment the employee only has to drive 10 per cent of his mileage each year on company business to qualify for the main scale of benefits laid down by the Inland Revenue. From April he will need to clock up only 1,000 miles—a trip to Edinburgh and back from London would just about cover it. Even if the employee cannot get in the necessary mileage, the higher scale is by no means onerous.

It is true that the Revenue distinguishes to some extent in favour of the employee who really does need a car to do his job, the benefit charge being halved if he drives 25,000 miles a year on company business. This requirement comes down to 18,000 miles a year from April.

Even more surprising than the latitude still granted on the employee's own company car is the tax treatment of second cars, which in many cases appear to be used only by the employee's spouse. With the charge only 1½ times the basic scale, it is no wonder that there is a growing tendency among executives to demand—and secure—a second company car. A Reward-Institute of Directors survey last month found that 10 per cent of directors have two company cars.

With such generous treatment it is no surprise to find *that, if pensions* are excluded, company cars now account for an estimated 80 per cent plus of the value of employee benefits. On a national scale, the net result is that over 70 per cent of new cars sold in the UK are partly or wholly for business use.

It is the economic implications of that fact which account for the rather "Jekyll and Hyde" attitude of the Government and the Revenue towards company cars.

In the autumn of 1979, not long after the present Government took office, the Revenue issued a consultative paper on benefits.

Not only did it attack benefits as an inefficient, wasteful and unjust way of rewarding effort, but it singled out the car as its main target.

But what happened in the last Budget?

The tax charges were raised by 20 per cent, not all that much up on the rate of inflation. And the conditions for qualifying as a business driver were relaxed, drawing an almost audible sigh of relief from all concerned. Obviously the Government had taken note of the threat any serious curtailment would have posed to the British car industry.

Instead the Revenue has turned its attention to one particular aspect—the provision of free petrol. At the moment companies make this easy by simply supplying employees, and their spouses, with a credit card in the company's name. The Budget contained a warning that if the provision of free petrol continued to grow at anything like the present rate, then legislation to tax such provision would be introduced in the forthcoming Budget.

The Revenue takes the line that its charges scale represents the cost of servicing and depreciation, but that petrol should be paid for by the employee, except when he is actually on business. The problem is how to separate business and private use on the same car, without the attachment of a tachometer and the keeping of complex records.

This year's Budget may hopefully settle this question once and for all. The simplest solution, according to David Tallon of Dearden Farrow, a firm of chartered accountants which specialises in employee benefits, is to put up the scale to a realistic figure which is related to actual costs, and forget the wrangle over uses and petrol. It would save many manhours on both sides. But since it is a simple solution, it is very unlikely to be adopted.

HOW THE TAXMAN TREATS YOUR COMPANY CAR

(a) Main Scale of value on which taxation is based.

Present	£	Proposed 1981/82	£
Cars costing up to £8,000		Cars costing up to £9,600	
1300 cc or less	190	1300 cc or less	230
1301-1800 cc	250	1301-1800 cc	300
Over 1800 cc	380	Over 1800 cc	450
Cars costing £8,001-12,000	550	Cars costing £9,600-14,400	660
Cars costing over £12,000	880	Cars costing over £14,400	1,050

(b) Above rates halved for business mileage over 25,000 miles each year. — Above rates halved for business mileage over 18,000 miles each year.

(c) Benefit will be 1½ times the main rate for "insubstantial business use" of not more than 10 per cent of total mileage on business. — Benefit will be 1½ times the main rate for "insubstantial business use" of not more than 1,000 miles each year on business.

(d) For second and subsequent cars the benefit is 1½ times the main rate, regardless of the extent of business use.

Source: Board of Inland Revenue tables

BUSINESS PROBLEMS

BY OUR LEGAL STAFF

Completing a liquidation

Is there any time limit for completion of a liquidation? If there any time limit for acceptance of claims by liquidators?

No, a liquidation is not required to be completed in any given period of time. A claim against a company which is in liquidation may be defeated by the Limitation Act but it would not become statute barred after it has ben proved in the liquidation. The liquidator can set a proof aside (neither accepting nor rejecting it) indefinitely prior to declaring a dividend, but the creditor can require him to accept or reject it within a period of 28 days, thus ending the period of suspension of the claim.

Protection by patent

I have recently had an idea for a device which could in certain circumstances be a life saver. The idea is a very basic one, and I do not have the facilities for manufacturing the product myself, nor do I have the technical knowledge to know if in fact the product would be a feasible proposition for manufacture.

I should like to approach a *manufacturer with my idea, but I would like to know if there is any way that I can protect my* idea and prevent it from being "stolen." Have you any suggestions please?

We think that your device may require to be patented before you show it to prospective backers—or at least applications for patents lodged by then. You should consult patent agents, whose addresses can be obtained from the Law *List or telephone directories.*

Dividends waived

The issued share capital of an unquoted company is held by four people. Three of the four are directors who between them control the company.

Very shortly after the introduction of unification the company declared a dividend each year but in the case of each of the three directors the dividends have been waived each year.

The dividend of the fourth shareholder, the only shareholder not to be a director, has been paid. His dividend is the only dividend to be entered on the form CT61 and the only dividend on which advanced corporation tax is paid.

Of the three directors two are liable to tax at the Higher Rate and to Investment Income Surcharge.

No dividends have been returned by any of the directors and therefore none of the dividends have been included in the taxed income assessments.

It would appear to me that the waiving of the dividends is no more than a voluntary disposition of income and the company is liable to advance corporation tax on the full amount of the dividend declared and that the shareholders liable to have the gross amount of the dividend taken into account for higher rate and additional rate tax. In the case of the director not *liable to excess liability*, the gross amount of the dividend falls to be taken into account in his total income for Age Allowance purposes. At the moment none has been taken into account and none has been returned.

It seems to me that the dividend declared, whether waived or not, is income arising in the UK and is taxable in one form or another. As the matter stands at the moment the dividends declared and waived by the shareholders are escaping main stream corporation tax, they are not entered on the form CT61 and so escape advance corporation tax. They are not entered on the shareholders returns and so escape being taken into account for assessment to higher rate and additional rate tax. Could you please comment?

Provided that the waiver documents were correctly worded and executed (and executed at the correct times), the present tax situation is correct—and the company's auditors will undoubtedly have checked all these points. (You are not quite right in saying that the dividends waived are escaping corporation tax.)

In relation to CTT, the point is specifically covered by section 92 of the Finance Act 1976:

(1) A person who waives any dividend on shares of a company within twelve months before any right to the dividend has accrued does not by reason of the waiver make a transfer of value.

(2) This section applies to waivers before as well as after the passing of this Act.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Technical Page

EDITED BY ARTHUR BENNETT AND ALAN CANE

ICL's new common storage system

A MAJOR new computer system at the top end of the 2900 range has been announced by International Computers (ICL). Known as the 2977, the system is available as a number of "packages" offering a performance level 22 per cent higher than that of the 2976. The packages, for both commercial and scientific duties and for single or dual configurations, include the order code processor and common storage system together with operator console and system disc equipment.

The 2977 is claimed to add to ICL's common-storage system range of 2900s a powerful and cost-effective system to match the price performance of the recently-announced 2955 and 2966. Both single and dual systems are available and the 2977 also supports the ICL Distributed Array Processor.

ICL's common storage system enables the performance to be enhanced by OCP replacement from the 2960 right up to the 2982. Mainstore and input/output capability can also be enhanced without redundancy right across this performance spectrum, ICL claims.

The 2977 is available with a mainstore from six to 16 megabytes on two, three or four modules. The OCP can be fitted with a fast multiply and divide unit with microcoded maths library, FMDU/MML, for maximum performance with scientific workloads.

Supported by VME/B-E, the new easy-to-use entry level version of VME/B, the 2977 can be connected to the latest range of 2900 large system controllers and peripherals, ensuring optimum system reliability, says ICL. The processor itself has built-in facilities to ensure the fastest possible diagnosis of system incidents.

The 2977 is claimed to be ideally suited to major new applications through industry and commerce. Used with a 2960 mainframe, the combination of 2977 and 2960 offers concurrent VME and DME operation through the attached emulation facility.

A 2977 with six megabytes of mainstore, four fast magnetic tapes and a range of slow peripherals will sell in Britain for about £1.2m. First deliveries will be made next summer.

How to clean and pickle rods safely

NORMALLY steel rods and/or wire, are cleaned by dipping them into acid baths. They are carried on large 'C'-hooks which immerse in the bath and, traditionally, these hooks have been made from a variety of materials, most of which are attacked by the chemicals of the pickling baths. This shortens the life of the hooks.

Again, when pickling wire or rods in a phosphate bath there is a danger of the bath content being contaminated by the material from which the hooks have been made and it is also possible that as a hook deteriorates it may well break under load or by reacting with the wire, bath solution and hook itself there can perhaps be discolouring.

This has been a persistent problem within the industry which has tested a number of alternative materials including mild steel, stainless steel, aluminium, phosphor bronze, and even wood. None has proved completely satisfactory.

Now a solution to the problem has been found and is being used commercially in Sheffield by the Unbrako Steel Co. This is a new type of mild steel 'C'-hook which is encapsulated seamlessly with a plastic coating known as Perplas ST 1000. The 13 mm thick coating is applied by a slow process that takes several hours to complete, but when completed the hooks are accepted by Lloyds as providing adequate safety.

Perplas ST 1000 is a plastics compound that resists all acids and the various coating chemicals although it is not resistant to very strongly oxidising acids. Because of its nature it has a low coefficient of friction, high resistance to abrasion and is impervious to water.

The material is being applied to 'C'-hooks by Performance Plastics, Todmorden Rd., Bacup, Lancs. OL13 9EF (070683 4171).

NEWS IN BRIEF

LIGHTING

MADE POSSIBLE through a special "backbone" support (first developed by Thorn scientists for a 200W version of the linear tungsten halogen lamp launched last year) is the company's 150W linear tungsten halogen lamp which is only 80 mm in length.

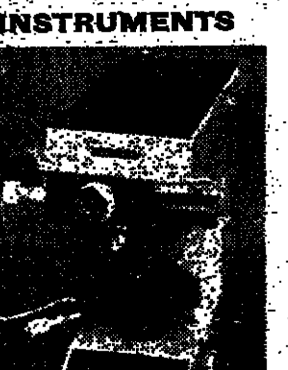
This version has been developed for interior and exterior display purposes and promises a vast area of exploitation for the lighting fittings designer says Thorn, Commercial House, Lawrence Road, Tottenham, London, N15 (01-802 3151).

BUILDING

A RANGE of glass-reinforced plastics monocoque modular building units with polycarbonate glazing, introduced by ICPL Glassfibre, 21 Faraday Road, Glenrothes, Fife (0592-773515), have a fire-retardant skin of sandwich foam construction. Although heating equipment is fitted as standard, it is claimed that experience with the prototype units has shown that its use is seldom necessary because of the extremely low heat loss achieved.

The units vary in length from 3 metres to 6 metres and have a standard width of 2.4 metres. A 3-metre unit weighs about 500 kg, providing casual site accommodation for six to eight men. Special features include side and roof ventilation, escape hatch, steel shackle lifting points, integral moulded bunks, working and eating surfaces, storage cabinets, showers, and toilet and wash basin.

INSTRUMENTS



SAID to be ideal for production or laboratory use is a hardness tester with micro-processor based calculation, digital display and video TV inspection facility. Switchable between Vickers or Knoop measurements, the on-board calculator accepts measured diagonal values and instantly displays the final hardness reading.

Called the DMH-2 the instrument is made by Matsuzawa Seiki in Japan. It is marketed in the UK by Hardness Control Instruments of Maylite Trading Estate, Martley, Worcs. (088 66 493) and will be shown on the agent's stand at INSPEX 81 Exhibition at the NEC, Birmingham, in March.

Industry is looking to wood for energy

BY ELAINE WILLIAMS

WOOD IS re-emerging as an important source of energy, both for industrial and domestic use, and this is likely to strain an already diminishing world resource.

This is one of the chief conclusions of a recently published report from the Worldwatch Institute, an independent research agency based in the U.S.

The author, Mr. Nigel Smith, warns: "Industry still accounts for only a minuscule proportion of the wood used as fuel around the world, but it will not remain insignificant in the future. Already some companies in the U.S. are shifting factories to forested regions such as the north-east to take advantage of a ready supply of wood fuel. . . . Such moves are not based on whim or a naive faith in solar energy, they rest on careful planning and rigorous cost-benefit analyses."

Cost benefits

He points out that while wood fuel accounts at present for only abount 8 per cent of the world's energy consumption, the demand for wood and its derivatives, such as methanol, is likely to double by the end of the century.

According to Mr. Smith, wood has already overtaken nuclear power as a source of energy in the U.S., and is likely to increase by a factor of five by the end of the century—that is, it could provide up to 20 per cent of America's energy.

The study points out that the attractiveness of running factories on wood has been enhanced by the availability of wood chips and pellets; it goes on: "The economic advantages of running an industry on wood fuel are becoming clearer as oil prices continue to climb. A wood products firm in Bridgton, Maine, uses sawdust generated steam to heat its kilns, thereby cutting US$ 90,000 from its yearly energy bill.

"The company paid US$ 150,000 for the wood fuelled boiler in 1978 and no longer needs to buy 90,000 gallons of oil a year. And in St Cloud, Minnesota, when the oil and natural gas bill of a furniture plant reached US$ 60,000 in 1977, the firm turned to shavings and scraps to heat the working space and fuel the kilns. The boiler cost US$ 140,000 but is expected to pay for itself in two to three years."

Wood now contributes more to the U.S. energy budget than nuclear power

ESTIMATED FORESTED AREA OF THE WORLD, BY REGION, 1978 AND PROJECTIONS TO 2000

Region	1978	2000	Change
	(million hectares)		(percent)
Developed Countries	1,464	1,457	0
USSR	785	775	−1
North America	470	464	−1
Europe	140	150	+7
Australia, Japan & N. Zealand	69	68	−1
Developing Countries	1,099	660	−40
Latin America	550	329	−40
Asia and Pacific	361	181	−50
Africa	188	150	−20
World Total	2,563	2,117	−17

Source: Council on Environmental Quality, Global 2000 Report.

In the EEC, the pulp and paper industries have achieved 20 per cent energy self sufficiency through burning wood waste. In the U.S., this industry now obtains 50 per cent of its energy from wood compared with only 40 per cent in 1972. Swedish paper companies meet as much as 60 per cent of their energy requirements by burning wood scraps and pulp residue.

But the manufacture of liquid fuel from wood which is the most interesting development—it could be used as an additive to or substitute for petroleum based fuels.

Before 1930 nearly all methanol was produced from wood. Today it is made from natural gas for use in the manufacture of formaldehyde, industrial solvents, plastics and pesticides.

But a methanol plant based on wood, costs up to three times as much as one using natural gas. Several countries including Canada, Brazil, France and the U.S. are refining the technology to produce a cheaper product.

The Worldwatch study says that within the next decade methanol will become economic as a transport fuel. That is, if the price of petrol reaches U.S.$3-4 a gallon. At first it would be used for buses and trucks because diesel engines run well on methanol, provided that 5 per cent oil is blended to help with starting.

Also, in countries with limited coal reserves, methanol also holds promise as a fuel for electricity generation. Nine years ago the Vulcan-Cinncinnati corporation in the U.S. demonstrated a 50MW boiler fuelled with wood alcohol.

But the study warns that the growing use of wood for energy is causing alarm.

It says that if wood is to become a renewable and reliable source of energy, the large scale deforestation has to be halted and the number of new trees planted increased fivefold.

Every year tropical forest is disappearing at the rate of 10 to 15 hectares—roughly equivalent to an area the size of West Germany being stripped of its tree cover every year.

There are some encouraging signs. An increasing amount of money, for example, is being assigned to forestry projects. The World Bank for example has raised its funds for such plans by more than 10 times over the last 10 years.

Between 1978 and 1980, it spent funds of U.S.$300m on a total of 37 forestry projects. The U.S. Congress in 1980 set aside more than U.S.$400m to encourage the use of wood waste while in Europe, France will spend $50m a year to develop renewable energy with biomass—using crops for fuel—receiving most of the funds.

LOMBARD

A productivity breakthrough?

BY PETER RIDDELL

THE SHAKE-OUT of labour in the current recession has been by far the largest since the war. But does this herald the long-awaited breakthrough to a faster rate of growth of productivity?

The evidence so far offers hopes rather than firm conclusions. Output and productivity tend to be linked in the short-term. During a recession output falls faster than employment. Companies do not cut their number of workers proportionately because of inflexible production operations, because of the cost of declaring redundancies and because of the desire not to lose skilled labour which could be used later. Consequently, productivity tends to fall during a recession and rises during an upturn as surplus labour is fully used. *What matters is the size of the change in productivity relative to the underlying long-term trend.*

Shake-out

The decline in productivity in the current recession is slightly larger than in the previous downturns—a fall of about 3 per cent in output per head in the economy as a whole between mid-1979 and last autumn compared with a drop of between 1½ and 2½ per cent in previous recessions since the late 1960s. But the relative performance is only part of the story, since the absolute fall in employment has been much *larger than in previous* recessions.

Total employment dropped by 770,000 between mid-1979 and the end of last September and has probably fallen by 1m by now with a total drop of 1½m likely on some estimates by the end of the recession. This compares with a decline of 344,000 in the mid-1970s and of 638,000 in the previous largest shake-out in 1970-71.

Companies may be reacting differently in the current recession because they believe the competitive pressure on profitability and on market share will be longer lasting than in previous downturns—principally because of the strength of sterling.

The prospects for an improvement in productivity seem particularly bright in manufacturing. There have been widespread reports from individual *companies of cutbacks in over*manning. Up to the end of last November manufacturing employment had dropped by 755,000—far more than in previous recessions. More significantly, productivity in manufacturing has dropped by only just over 3 per cent, *compared with* falls of 5½ and 7½ per cent in the previous, much shallower recessions. The CBI's industrial trends survey last week noted that manufacturing companies were seeking to improve labour productivity and that output per head might recover in the early part of this year.

No wonder, therefore, that some quite sober economists are starting to believe that a major underlying improvement is possible. But a note of caution has come from Mr. Gavyn Davies of Phillips and Drew. Writing in the firm's latest circular he points out that the smaller the labour shake-out in the recession, the larger the scope for an artificial increase in productivity in the upswing.

Conversely, *if productivity in* the recession is protected by a large labour shake-out, there is less scope for such an artificial increase as output recovers since there is less surplus labour on companies' books to be more fully used. Therefore, according to Mr. Davies, "we cannot necessarily conclude that the massive loss of jobs in the present recession will produce faster-than-usual productivity growth in the recovery. In fact, the opposite may be true if firms have simply been reducing *their* hoarded labour."

Cushion

The key issue is whether there has been a structural and permanent shift in manning levels towards greater efficiency. If this is the case the normal cyclical recovery of productivity will start from a higher-than-normal base, leading to the desired gains in competitiveness. *The answer will not be clear* until the recovery of output starts, though the omens are certainly more encouraging than in the last recession. But before the politicians rush off to claim a victory they might think *rather more about how they* intend to cushion the transitional impact on the unemployed.

An attractive idea from Slough

GARDENS TODAY

BY ROBIN LANE FOX

EVERY GARDENER likes scent in the garden and so I will be sowing my sweet pea seeds under glass as soon as they arrive. But I will not be bothering with the true "old fashioned" revivals, those small-flowered varieties which are sold for nostalgia but are not much sweeter, and far more poorly coloured, than the best modern sorts.

The sooner sweet peas are started, the better they perform. On my wet and north-facing ground, I have given up autumn sowings unless they can be set *under cloches. Even there,* the seedlings are only now showing through. Instead I use gentle heat in a greenhouse, aiming to grow each seedling in a peat pot all to itself.

I am trying the new Mammoth mixture in the gigantea section of the family. These are the early varieties whose flowers have been bred to be the biggest. The Mammoth mixture has won prizes for its long stems, clear colours and groups of five or six flowers on each set of *buds.*

Among the older sorts, the Galaxy mixture has proved fit to resist the casual treatment which I give it. Its stems carry five to seven scented flowers and are my first choice for *general value.* They are very robust.

Up and down the country, we all do justice to sweet peas. They turn up in all shapes of vegetable garden and in all sizes of front patch. Stocks, however, are less fortunate. I am aware of *growing* them about half as well as I could. Even so, I beat the sad little groups which I often see beside concrete front paths.

This year, I am taking stocks seriously and trying to prove my theory that they would be four times as good if I treated them twice as well.

Businesslike readers may be misled if I describe my plan as stock appreciation, but in its way it would qualify as such. I intend to grow special stocks in *pots where I can appreciate* them fully. Inspired by a stand at last year's Chelsea Show, I have set myself a vulgar aim. I want my best stocks to be the fattest, sweetest and tallest in my acquaintance.

Last year at Chelsea, I remember the exhibit of those old and practised hands, the park keepers of the Slough Borough Council. European flower shows are famous for their banks of flowers in single colours or families. Last year, Slough *staged a limited exhibit* which could stand beside any of those sumptuous *floralies.* They centred on stocks of a size and colour which opened my eyes to the possibilities.

The varieties, I recall, were not unusual. They were double-flowered, selected from those seedlings whose young leaves reveal the future quantity of flower petals. In English, they are listed as *Giant Excelsior* Column forms and sold in separate colours. *They were perfected in Denmark* and can now be bought in any store. I like to separate the colours, putting the cream-yellow variety at the top of my list for its richness and depth of colour.

The whites, to my eye, are too strong a white *while the lilacs* and crimsons are not quite true to their names. The so-called blues and reds are a better match. Personally, I am happy to stay with the double cream only.

If you are attracted by this idea, you ought to move quickly. Stock are best sown earlier, not later, if you want the best from your strain in pots. Slough Council allowed about 20 weeks between sowing and showing, so that the seed went into the greenhouse on January 7. The park keepers aim at a heat between 50 deg. F and 60 deg. F until the young seed leaves have spread themselves. Then, thanks to the Danish breeders, the doubles can be picked out in a high proportion.

If the temperature falls to 40 deg. F after three days it will cause the box to divide between dark and light green leaves. The dark green leaves *tend to be single, so they can* be thrown out. The light ones will train on a lovely double flower spike.

The double forms are immensely desirable. One year, I was mischievous and reversed *the breeding* by keeping the singles apart and growing them too. Whatever I say about double petunias and all those double snapdragons, double stocks are the rich relations of very sad cousins indeed. Single flowers shoot up on long spikes which lack body. The Danes were right to plan for doubles only.

I cannot tell you how double stocks become the level rows of perfect columns which Slough brought to Chelsea. The keepers stressed the importance of a steady temperature in their publicity and no doubt they kept other little tricks to themselves. If you grow stocks under glass you must not allow *them to suffer strong sun* in late spring or to heat up over 60 deg. F. This is important—too warm a house will upset their developing buds. You should also plant them in light soil which is rich in lime.

But *stocks outdoors* are almost always bogged into a cold and heavy soil. On clay, they are a shadow of themselves and unless they are fed heavily with liquid manure while they bud and branch, they are not so opulent. Dig in a heap of sand if you are growing them on stiff ground and always remember to feed them.

Indoors, you will want a different variety from the general garden forms. The Column form of the exhibitors send up one flower spike like a truncheon and refuses to branch into others. It is the stock whose flowers can be found at monstrous prices in smart florist shops when their season is usually over.

For cutting or potting this Column form is the most impressive. In a border, however, you should patronise the many Mammoth varieties. They will bush out, especially if you never check them or leave them for too long in a box. Even as border plants, they are best grown smoothly in pots until the season is warm enough to welcome them outdoors.

I do not see much point in the so-called Ten Week form, unles you do not have this column to set you about your business. The plants are smaller and the mixed colours are dull. Plan for the longer run.

The sweet pea: now is pot sowing time

Their scent is heavy and wonderfully thick, like a confident brand of powder. Too much sun or too little space for the roots will halve the spikes and ruin the richness of their lines of flower.

Slough, I dare say, has not inspired you any more than me in other matters of beauty. But its stocks were a triumph and this year we have one last little reason to match them, as 250 years have now gone by since the stock was first noticed in our history of plants.

Chance for capable Trentisoe

RACING

BY DOMINIC WIGAN

FULKE WALWYN, who must still be hopeful that Diamond Edge can give him a fifth Cheltenham Gold Cup victory *following those memorable* triumphs of Mont Tremblant, Mandarin, Mill House and The Dickler, will be trying to pick smaller, but worthwhile prizes, at Windsor today.

There, Lambourn's most *experienced National Hunt* trainer, whose Sexton House stable lies only a stone's throw from the now even more successful Uplands establishment, looks to have double prospects through Trentisoe and *Jackaroo.*

Although she has not scored since disposing of Fisherman's Cot in summary fashion at Newton Abbot in May, Trentisoe has been holding form well. She might well have taken a hand in the finish in Boxing *Day's Harry Dufosse Handicap* at Wincanton, but the ground was too soft for her.

With a slightly shorter run and more suitable ground in her favour here, Trentisoe looks capable of dealing with *Nampara in the Boveney* Handicap.

Jackaroo, who returned to his best in the West Country last time out following two unplaced efforts, will clearly benefit from the absence of Jugador and *Veramente in the two-mile* Copper Horse Handicap Hurdle.

It is not often that a Pat Rohan runner travels south to Windsor in the summer and it is even rarer for him to be represented on this picturesque course by a jumper.

Therefore racegoers will probably do well to weigh up his challenger for the Haig Whisky Novices Hurdle qualifier Cougar Prince.

A promising novice two seasons ago, Cougar Prince has not been seen on a racecourse since. However, Geoff King has been secured for him and a market move should be noted. If Cougar Prince can put in a quick and accurate round of hurdling in the experienced *hands of King,* the partnership will present problems for Coombs Ditch and Insulation.

Whatever his fate with Calypso Joe, Gaselee should have one winner for More Pleasure.

WINDSOR

2.30—Jackaroo
3.00—Trentisoe**
3.30—Insulation
4.00—More Pleasure***

HAYDOCK

1.45—Miss Louise*
2.15—Double Negative
2.45—The Vintner

TV/Radio

† Indicates programme in black and white

BBC 1

9.05 am For Schools, Colleges. 11.25 You and Me. 11.40 For Schools, Colleges. 12.42 pm Regional News for England (except London). 12.45 News. 1.00 Pebble Mill at One. 1.45 Trumpton. 2.01 For Schools, Colleges. 3.00 Speak for Yourself. 3.25 Delia Smith's Cookery Course. 3.53 Regional News for England (except London). 3.55 Play School Story. 4.20 Undercover Elephant. 4.25 Jackanory. 4.40 Take Hart. 5.00 John Craven's Newsround. 5.10 The Strange Affair of Adelaide Harris.

5.40 News.
5.55 Nationwide (London and South East only).
6.20 Nationwide.
7.00 Triangle.
7.25 The Variety Club Awards.
8.15 Captain Beaky's World of Words and Music Vol. II.
9.00 News.
9.25 Sportsnight.
10.15 Can We Afford a Rolls-Royce?
11.07 News Headlines.
11.10 Parkinson.

All Regions as BBC-1 except as follows:

BBC Cymru / Wales — 10.30-10.50 am I Ysgolion. 11.02-11.22 I Ysgolion: Ffenestri. 1.45-2.01 pm Mister Men. 2.18-2.38 I Ysgolion: Hyn o Fyd. 5.10 Fred Basset. 5.15-5.40 Grange Hill. 5.55-6.20 Wales Today. 7.00 Heddiw. 7.15 Triangle. 7.40 Seconds Out. 8.10-9.00 The Variety Club Awards. 12.10 am News and Weather for Wales.

Scotland—12.40-12.45 pm The Scottish News. *5.55-6.20* Reporting Scotland. 12.10 am News and Weather for Scotland.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 12.10 am News and Weather for Northern Ireland.

England — 5.55-6.20 pm Look East (Norwich); Look North (Leeds); Look North (Newcastle); Look North West (Manchester); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

10.20 am Gharbar.
11.00 Play School (as BBC-1 3.55 pm).
†5.30 Harold Lloyd in "Get Out And Get Under" and "Safety Last."
5.55 16 Up.
6.20 The Master Game.
6.50 Grapevine.
7.20 Mid-Evening News.
7.30 Travellers In Time.
8.00 The Magic of Dance.
9.00 M*A*S*H.
9.25 Sons and Lovers.
10.20 God and the Scientist.
10.45 Newsnight.

BBC-2 Scotland Only—1.15-1.45 pm Cearcall.

LONDON

9.30 am Schools Programmes. 12.00 Cloppa Castle. 12.10 pm Rainbow. 12.30 About Britain. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 Crown Court. 2.00 After Noon plus. 2.45 Fantasy Island. 3.45 Movie Memories. 4.15 Dr. Snuggles. 4.20 Runaround. 4.45 Brendon Chase. 5.15 Gambit.

5.45 News.
6.00 Thames News.
6.25 Help!
6.35 Crossroads.
7.00 This Is Your Life.
7.30 Coronation Street.
8.00 Starburst.
9.00 *Honky Tonk Heroes.*
10.00 News.
10.30 Stretching the Limits.
11.30 Golf: United States v The World.
12.25 am Close: "Sit Up and Listen," with Sir Neil Cameron, Marshal of the RAF.

All IBA Regions as London, except at the following times:

ANGLIA

9.15 am *Jobline* (a guide to job availability in East Anglia). 1.20 pm Anglia News. 3.45 The Entertainers. 5.15 Look Who's Talking. 6.00 About Anglia. 11.30 S.W.A.T. 12.25 am The Big Question.

ATV MIDLANDS

1.20 pm ATV News. 2.45 Starparade. 5.15 *In Loving Memory.* 6.00 ATV News. 6.05 Crossroads. 6.30 ATV Today. 11.30 ATV News. 11.35 Late Night Country Music: Merle Haggard in Concert.

BORDER

1.20 pm Border News. 2.45 The Love Boat. 5.15 University Challenge. 6.00 Lookaround Wednesday. 11.30 Border News Summary.

CHANNEL

1.20 pm Channel Lunchtime News, What's On Where and Weather. 2.45 Young Ramsay. 5.15 University Challenge. 6.00 Channel Report. 10.28 *Channel Late News. 11.30 Epilogue* followed by News and Weather in French.

GRAMPIAN

9.25 am First Thing. 1.20 pm North News. 5.15 Batman. 6.00 North Tonight. 11.30 Musical Special (Pasadena Roof Orchestra). 12.05 am *The Train Now Leaving.* 12.35 North Headlines.

GRANADA

1.20 pm Granada Reports. 2.00 Live from Two. 5.15 Welcome Back Kotter. 6.00 Granada Reports. 6.25 This Is Your Right. 11.30 Bluey.

HTV

1.20 pm HTV News. 2.00 Houseparty. 2.25 "Case for the Defence," starring John Hamblin and Judith Arthy. 5.15 *Dick Tracy.* 5.20 Crossroads. 6.00 Report West. 6.30 Survival. 10.28 HTV News. 11.30 Superstar Profile.

HTV CYMRU/WALES—As HTV WEST except: 12.00-12.10 pm Ffalabalam. 4.15-4.20 El Torito. 4.45-5.15 Sreaon Y Byd. 6.00 Y Dydd. 6.15-6.30 Report Wales.

SCOTTISH

1.20 pm News Headlines and Road and Weather Report. 2.45 Certain Women. 5.15 Tales of Crime. 5.20 Crossroads. 6.00 Scotland Today. 6.20 Toye's Talk Back. 6.30 Weir's Way. *11.30 Late Call. 11.35 Musical Special —Blood, Sweat and Tears.*

SOUTHERN

1.20 pm Southern News. 2.00 Houseparty. 2.25 Fantasy Island. 3.20 Survival. 5.15 Betty Boop. 5.20 Crossroads. 6.00 Day by Day. 6.35 Scene Midweek (South East Area only). 11.30 That's Hollywood.

TYNE TEES

9.20 am The Good Word. 9.25 North East News. 1.20 pm North East News. 1.25 Where the Jobs Are. 2.45 Danger UXB. 5.15 *That's Hollywood.* 6.00 North East News. 6.02 Crossroads. 6.25 Northern Life. 10.30 North East News. 11.30 Paris by Night. 12.00 World's Apart.

ULSTER

1.20 pm Lunchtime. 5.15 Cartoon *Time.* 5.20 *Crossroads.* 6.00 Good Evening Ulster. 10.29 Ulster Weather. 11.30 Bedtime.

WESTWARD

12.27 pm Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 2.45 Young Ramsay. 5.15 University Chal*lenge. 6.00 Westward Diary.* 10.31 Westward Late News. 11.30 Faith For Life. 11.35 West Country Weather, Shipping Forecast.

YORKSHIRE

1.20 pm Calendar News. 2.45 Lifeline. 5.15 Diff'rent Strokes. 6.00 *Calendar (Emley Moor and Belmont* editions). 11.30 Paris by Night.

(S) Stereo Broadcast
‡ Medium Wave Only

RADIO 1

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.00 Andy Peebles. 12.30 Newsbeat. 12.45 pm Steve Wright. 2.32 Dave Lee Travis. 4.32 Peter Powell. 7.00 Radio 1 Mailbag. 8.00 Richard Skinner. 10.02-12.00 John Peel (S).

RADIO 2

5.00 am News Summary. 5.03 Bob Kilbey (S). 7.32 Terry Wogan (S). 10.03 Jimmy Young (S). 12.03 pm David Hamilton (S). 2.03 Ed Stewart's Request Show (S). 4.03 Much More Music with David Symonds (S). 6.03 John Dunn (S). 8.03 Listen to the Band (S). 8.45 Alan Dell with Dance Band Days (S). 9.15 Cricket Report. 9.16 Semprini Serenade (S). 9.55 Sports Desk. 10.02 Tony's starring Victor Spinetti. 10.30 William Franklyn says Be My Guest. 11.02 Cricket Report. 11.03 Brian Matthew with Round Midnight, including 12.00 News. 2.02-5.00 am You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Your Midweek Choice, part 1 (S). 8.00 News. 8.05 Your Midweek Choice, part 2 (S). 9.00 News. 9.05 This Week's Composer: Bach (S). 10.00 Haydn (S). 11.00 Music for Organ (S). 11.15 City of Birmingham Symphony Orchestra, Concert, part 1 (S). 11.45 Interval Reading. 11.50 Concert, part 2 (S). 1.00 pm News. 1.05 Concert Hall (S). 2.00 Music *Weekly (S). 2.50 Martinu and Smetana* Chamber music recital, part 1 (S). 3.20 Interval Reading. 3.25 Recital, part 2 (S). 4.00 Wordsworth: The Prelude (abridged reading) 4.30 Mozart and the Violin. 4.55 News. 5.00 Mainly for Pleasure (S). 7.00 Moiseiwitsch Plays Rachmaninov. 7.40 Six Continents. 8.00 BBC Singers, part 1 (S). 8.40 Only the Dead Know *Brooklyn (short story by Thomas* Wolfe). 8.55 BBC Singers, part 2 (S). 9.55 Beethoven Quartets (S). 11.00 News. 11.05-11.15 Josef Myslivecek (S).

RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping Forecast. 6.30 Today, including 6.45 Prayer for the Day. 7.00, 8.00 Today's News. 7.30, 8.30 News Headlines. 7.45 Thought for the Day. 8.35 Yesterday in Parliament. 9.00 News. 9.05 Mid-Week: Noel Edmonds and Company. 10.00 News. 10.02 Gardeners' Question Time. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Baker's Dozen. 12.00 News. 12.02 pm You and Yours. 12.27 Frank Muir Goes Into . . . Hypocrisy (S). 12.55 Weather: Programme News. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Afternoon Theatre. 3.50 Through My Window with composer and artist Edward Cowie. 4.00 Choral Evensong (S). 4.45 Story Time. 5.00 PM: News Magazine. 5.50 Shipping Forecast. *5.55 Weather: Programme News.* 6.00 News. 6.30 My Music (S). 7.00 News. 7.05 The Archers. 7.20 Checkpoint. 7.45 Carlyle and Jane by Henry Donald. 8.45 File on 4: "Reagan's Vietnam?" Central America. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 I Hear You Calling Me, portrait of the Irish tenor John McCormack (S). 11.00 A Book at Bedtime. 11.15 The *Financial World Tonight.* 11.30 *Today* in Parliament. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 10.03 The Robbie Vincent Telephone Programme. 1.03 pm London Live. 4.30 London News Desk. 5.35 Music on the Move. 7.03 Black Londoners. 8.00 Question Time from the House of Commons. 9.00-5.00 am Join Radio 2.

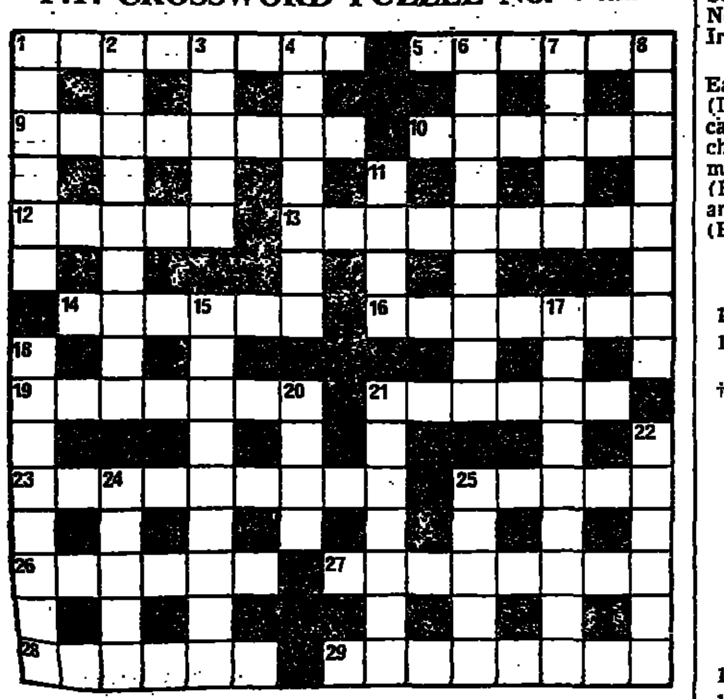
London Broadcasting

6.00 am AM—Bob Holness and Douglas Cameron. 10.00 Brian Hayes. 12.00 LBC Reports. 7.00 pm London Life. 9.00 Nightline. 12.00 LBC Reports Midnight. 1.00 am Night Extra. 4.00 Network. 5.00 Morning Music.

Capital Radio

6.30 am Mike Smith's Breakfast Show. 10.00 Michael Aspel. 12.30 pm Graham Dene. 1.00 First Report. 1.10 Graham Dene (continued). 3.00 Roger Scott. 7.00 London Tonight. 9.00 Nicky Horne. 11.00 Tony Myatt's Late Show. 2.00 am Night Flight.

F.T. CROSSWORD PUZZLE No. 4,486



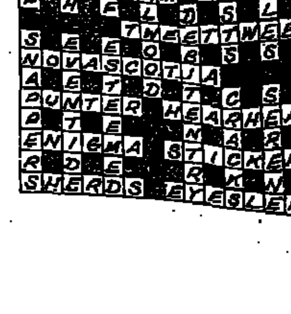
ACROSS

1 Blush in front of District Attorney reserving clauses in a lease (8)
5 Disgraced in counterfeit edition (6)
9 Light in carriages seen in spectacles (3-5)
10 Dredge and draw slowly to a finish (4, 2)
12 Article left frequently in the air (5)
13 Specialist Girl Guide is to burn with hot displeasure (3-6)
14 Put third of vote in vote of confidence (6)
16 Abridgment of Eastern religious book (7)
19 Sweet article in mountain (7)
21 Set free but *it's rotten* (6)
23 Standard quantity that's supreme (9)
25 Turn your head, it's troublesome (5)
26 Drink for each old member of Parliament (6)
27 Waterfall is not clearly seen *through this* (8)
28 Shortage right in the end (6)
29 Type of orange that's an apple (8)

DOWN

1 Scrap to follow closely in rabble . . . (3-3)
2 . . . or follow and seize part of clerical garb (3-6)
3 To practise extortion is absolutely correct (5)
4 Money put in a bank is turning up in a storehouse (7)
6 Plant a rota for chemist (9)
7 Giant having a go in motor-car (5)
8 Left role in middle of act (8)
11 Two notes to render imperfect (4)
15 Cat holding limb and cheese (9)
17 Begin iron gate I re-designed (9)
18 Bearing a staff that's regal (8)
20 Learner not to be considered a bumpkin (4)
21 A hidden danger in grave decline (7)
22 Method the extremes of society stop (6)
24 Drink to a *degree and dance* (5)
25 A spot in thoroughfare the Scottish own (5)

Solution to Puzzle No. 4,485



ENTERTAINMENT GUIDE

OPERA & BALLET

COLISEUM. [illegible]

COVENT GARDEN. [illegible]

SADLER'S WELLS THEATRE. [illegible]

THEATRES

[illegible]

CINEMAS

[illegible]

ART GALLERIES

[illegible]

THE ARTS

Television

The news that fits the view

by CHRIS DUNKLEY

Like some fifth century Roman legion losing its three favourite soothsayers all at once, we stand at the edge of a new dark age wondering how to face the future: Angela Rippon has left the *Nine O'Clock News*, Anna Ford is leaving *News At 10*, and in May Jan Leeming will desert us to have her baby. How can we carry on? Press reports state that the BBC and ITN are both looking for new women newscasters and although we all know that cannot be so since it would be illegal, and that it is *persons* they are looking for—it would be a brave man—sorry, person—who would bet on anything but female persons as replacements. But who could possibly bridge the gaps that will yawn in our lives until Anna and Ange get going with breakfast TV and Jan returns (perhaps)?

Poking fun at the personality cults around the people who read the news always elicits the same response of injured innocence from television: "Hark who's making all the fuss, it's Fleet Street's own doing," for all the world as though the press conferences and the picture calls arranged themselves and Angela Rippon didn't have Mark MacCormack as her agent.

It is of course virtually taboo nowadays even to question whether there are differences between men and women which might affect their aptitude for various jobs. While it is quite OK for feminist ex-MP Maureen Colquhoun to campaign in *Time Out* for more women in Parliament on the grounds that women have specially suitable characteristics ("Women bring a distinctive honesty and singleness of purpose to politics") and for another feminist to argue in the *New Statesman* that women have the virtue of brevity in discussion, woe betide anybody who wonders whether men might not be better suited than women to read the news.

Not that I am suggesting they are of course, but the business of distraction deserves consideration. With aural distractions there seems little to choose between men and women; admittedly Angela Rippon cannot pronounce "Zimbabwe" or "guella" or "Mugabe" without making a million viewers clutch their sides in mirth, but that has nothing to do with being a woman. Most of her male colleagues habitually pronounce "de-fuse" (as with a bomb) in such a way that it conveys exactly the opposite of what they mean; they say "diffuse."

However sex does have a bearing on the distraction of clothes. As a rule Anna Ford wears neutral colours and unsurprising clothes, as do the male newsreaders (except on weekend afternoons when the occasional daringly checked shirt peeks out). But when Angela Rippon appears wrapped in huge diagonal stripes of *blue, magenta and scarlet*, and one's viewing companion says "Dear God, she's been to the Plymouth Co-op again" the news headlines really cannot compete.

That little scene occurred last Wednesday when I watched both the BBC *Nine O'clock News* and ITV's *News At 10* with particular care, preparatory to discussing them with Ludovic Kennedy on John Archer's BBC 2 programme *Did You See . . ?*, a series which has been greatly improved by removing the "quiz" and (on this occasion) devoting the whole programme to one subject. The other participants were Stuart Hood, former editor of BBC Television News who is now a professor of film and television; David Nicholas, editor of ITN; and Tony Crabb, managing editor of BBC Television News. It was an instructive occasion in many ways.

First it brought back memories of how frustrating television can be as a medium for communicating ideas unless you can somehow keep firm control of the whole script. I have never yet been involved in a discussion programme (though I have now done scores) either as chairman or interviewee which was *not* followed by agonised declarations from the participants of what they *ought* to have said, no reflection on the chairman or production staff but on the nature of television.

Second it proved that the people who run both our television news services still genuinely believe that there is a pure, "neutral" form of information and that that is what they both deal in. They really cannot see that the process of selecting one item and rejecting ten others involves a complicated web of value-laden decisions which depend as much and more upon the subjective working of their staffs' minds as upon the objective nature of the events.

In seeking to rebut this point Mr. Nicholas instead gave it emphasis with an elegant allegory: you could start with the same 26 letters of the alphabet, he said, and end up with either *Paradise Lost* or *Mein Kampf*. Exactly: what you communicate depends entirely upon which constituents you select and the order you decide to arrange them in, and there is an infinite number of possibilities.

Both British news services powerfully if tacitly support the status quo. It can be seen at one end of the scale in deference to royalty and at the other end in the very language in which industrial relations are discussed. (Imagine a television news item announcing that management "threatened" the workforce with a so-called "rise" 4 per cent below inflation and that unions "offered to accept" merely 1 per cent above.)

But given that Britain is a democracy, and that we still have a very limited number of television outlets, all strictly policed by the democratically elected government, such support for the *status quo* is neither surprising nor sinister—the danger, in existing circumstances, would be in any attempt to do anything else with television news.

What is rather worrying, however, is the evidence from Saturday's programme that the people who run these news services do not recognise their own roles as central supporters of the established order. The idea that they are producing a value-free form of news based on some *ultimate constant objectivity* can be shown for the nonsense it is any day of the year by looking at the world news on television in a few other countries—America, Israel, France—where they hold similar beliefs about objectivity yet produce totally different programmes.

Which introduces the third point: Ludovic Kennedy's claim that ITN and BBC News are strikingly different from one another. To me it is the similarities which seem striking. If you look at the *Morning Star* and the *Daily Telegraph* any day you will see how different the news (not just the leader columns) can appear. But if you watch both television news bulletins on any evening you will always find them covering the same items in virtually the same order, giving them similar weight, and with identical blindspots. Both services have staff specialists to cover politics, industry, economics defence and so on, and neither has a single person to cover any of the arts.

The response to this complaint is always the same: that television has plenty of other programmes to cover the arts. Yet that is no answer at all because television also has plenty of other programes to cover politics, industry, economics and defence — yet it is this depressing agenda to which the news programmes stick rigidly, deliberately excluding the pleasanter aspects of life.

These are not the only points to be made about our television news services: among other irritating foibles are the tendency to over-value anything which happens to be on film, and the habit of injecting spurious "drama" into a foreign report by playing in the voice of the correspondent on a bad phone line so that he sounds as though he is shouting into a tin cup in the coal cellar, when the newscaster could easily read the report clearly.

Whenever such criticisms are made they produce the same complacent reaction from the television newsmen: "We can't have got it that far wrong because millions of viewers watch every night and often take our programmes into the Top 20"—which is a little like saying of the 17th century population that they must have been happy with horses because none of them switched to motor cars.

There is just one increasingly bright spot called Newsnight on BBC2. Its drawback (I am told) is that its starting time of 10.45 is most people's bedtime. But not only does it last 45 minutes, give as many background as foreground reports, and frequently feature the pleasanter aspects of human activity including the arts, it even has its own excellently calm, clear, sane and efficient newsreader. Goodness only knows the inducements now being offered to this admirable character to go elsewhere and help stave off the dark ages, because it is a lady named Linda Alexander.

Angela Rippon (left), Anna Ford, Linda Alexander and Jan Leeming

Harold Pickup, Julia Mckenzie and Arthur Lowe

Leonard Burt

Lyric, Hammersmith

Hobson's Choice

It is dull productions such as this by David Giles of Harold Brighouse's classic comedy that propel critics in search of such euphemistic labels as "the well-made play." Coming fresh to the piece (or as fresh as a rush hour encounter with Hammersmith Broadway will allow) I discover an illuminating dramatic document about industrial Lancashire on the move at the end of the last century. Henry Horatio Hobson runs a shoe manufacturing business in Salford but is beset by chronic alcoholism and the uppishness of three daughters his wife has been inconsiderate enough to bequeath him.

Two of the girls' respective men are, in turn, temperate totems of the lower middle class on the march. Then the eldest sister, the seemingly prunish Maggie, puts the cat among the pigeons by hauling William Mossop from below stairs and declaring that, with her brains and his hands, the age of the clog and the patronising single order for shoes is doomed.

Kenneth Mellor has designed a solid set of iron arches inlaid with sturdy glass and furniture. Brighouse built his play in similar fashion, providing the opportunity for a Lancashire Lear to be gently toppled by domestic turmoil and the forging of reverberative alliances among the new generation.

It is essential, I would have thought, for old Hobson to be played by an actor of imposing, even tyrannical, presence. Arthur Lowe is superb under pressure, flicking a venomous groan of disapproval at his likely appearance in the Manchester Guardian (as opposed to the Salford Reporter) after incurring a trespass charge while under the influence; or when retreating from the fray under orders to put on a collar for his rising former shoe-hand with the muttered retort "You're losing your sense of proportion." But the comedy's mechanics are stymied all the way through by the simple fact that he does not set folk trembling in their boots from the off.

The qualities of the play seep through eventually, but cannot disguise the routine nature of the revival. The emotional hinges are insufficiently oiled, even when Julia McKenzie as Maggie, at the moment of Willie Mossop's triumph, insists on retaining the brass wedding ring to remind the couple of how they started. Miss McKenzie's brisk comic style races away from the stern gravity at the centre of her role, and Ronald Pickup's version of the worm who turns on his former boss is similarly lightweight.

Next stop St. Ann's Square, Manchester, maybe, but there should be a little more to Willie's transformation than being whisked off to bed on his wedding night. As a good story, well told, the play will always hold the stage. But cut loose from its moorings, it drifts perilously close to the muddy waters of dire respectability.

MICHAEL COVENEY

The John Whiting Award

Stephen Bill has been awarded the John Whiting Award for 1979 for his play *The Old Order* which was first produced in October 1979 at the Studio, Birmingham Repertory Theatre. The award has been given annually since 1965 and commemorates the late John Whiting. It is administered by the Arts Council and goes to a work which demonstrates a new and distinctive development in dramatic writing. It is worth £1,500.

Stephen Bill is 33 and has a new play, provisionally entitled *Hanging On*, opening at the Studio again, in June. Next week his television play *Days of the Beach* will be transmitted by the BBC. Other winners of the Award include Tom Stoppard, Peter Nichols, Howard Brenton and, last year, Vince Foxall.

Capital Radio's Young Composer

Winner of Capital Radio's Young Composer prize is 24-year-old Guildhall School of Music student Christopher Williams of Wood Green who is planning to put the £500 towards the cost of writing a musical based on Rudyard Kipling's *Kim*. He has been commissioned to do this by a school in India.

He won the £500 with a composition *Gestes* for flute and chamber orchestra strings.

Elizabeth Hall

City of London Sinfonia

by ANDREW CLEMENTS

A thoughtful and nicely balanced programme from the City of London Sinfonia on Monday evening was rewarded by a woefully small audience; can Hans Werner Henze's name have discouraged so many, or are concert ticket prices so high nowadays that only better known artists can be sure of a reasonably full house? Between symphonies by Haydn (No. 49, 'La Passione') and Beethoven (the First) Richard Hickox conducted Britten's *Les Illuminations* with Sally Burgess as a vivacious soloist and Henze's *Il Vitalino raddoppiato*.

Henze's borrowings upon other composers become more and more faithful, less fantastic. *Il Vitalino* is described as a "Ciacona for concertante violin and chamber orchestra after Tommaso Vitali" and takes the substance of Vitali's famous chaconne—"a strangely beautiful *recollection* from my youth" says Henze—and fleshes it out with an elaborate orchestral accompaniment and extra variations. To each of Vitali's episodes Henze adds elaborations of his own, and the whole structure is capped by an enormous violin cadenza. It makes a bulky concert piece.

Too bulky, it proved for this first British performance, which cut a good measure of the cadenza to bring the work within a manageable programme length. Simon Standage dispatched the endless figuration with considerable accuracy and a fair degree of panache, but his labours would have been better spent elsewhere. Even in this slimmed-down version *Il Vitalino* is too long, too diffuse. There are some deft instrumental touches here and there, and some mildly entertaining side-slipping harmonies, but at no point does Henze begin to justify the exercise and make it more than a redundant note-spinning pastiche.

Wigmore Hall

Smetana Quartet

by RICHARD JOSEPH

Of all the many fine Czech ensembles, the Smetana String Quartet seem the most impulsively romantic and spontaneous. On Monday night at the Wigmore Hall they opened their programme with a lightly sprung, almost casually turned reading of Schubert's early E flat major Quartet, D.87. But since their relaxation is grounded on 25 years of close collaboration, the result was impressive as well as delightful.

They have the ability to change their ensemble's internal balance in order to point out momentary detail or emphasise the voicing of a single chord without causing ponderous shifts in the basic centre of gravity. Leader Jiri Novák continually takes and encourages risks by using characterful but potentially hazardous bowing. Of course, not all the risks come off, but the sense of invention remains keen. In all, this seemed an ideal approach for early, unpretentious Schubert.

Vítězlav Novák's Second Quartet followed. Novák (1870-1949) was a pupil of Dvorák whose influence on Czech musical life at the turn of the century was considerable—he was Professor of Composition at the Prague Conservatory from 1909. The Quartet is divided into two large sections, *Fuga* and *Fantasia*, loosely bound together by the same fundamental melodic formula. Though the textures are rich and flowing, one can marginally detect the influence of the French impressionists on Novák's style in his use of long, gentle pedal points and in the slow, even rate of harmonic movement. The Smetana Quartet played the work with affection but unfortunately made heavy weather of a couple of high-flying passages.

The programme ended with Dvorák's familiar *American* Quartet, op. 96, played with clear, open textures, relaxed rhythmic snap and — quite admirably — by memory.

King's Head

A Talent to Abuse

Equipped with a make-up as Evelyn Waugh, a cigar, a bottle of champagne, a script built up from the supply of current Waugh legends and a few genuine Waugh *bons mots*, Richard Huggett delivers a one-man show half as long as Maggie Smith's *Virginia*, but twice as fast.

Why Mr. Huggett should feel that Waugh is chiefly memorable for his ill manners, I don't know. One might as well do a P. G. Wodehouse piece about Swedish drill (as it used to be called when he first started writing about it). However, Waugh's weakness for abuse is the topic Mr. Huggett has chosen, and if he didn't persuade me that it amounted to anything like a talent, at least there are some decent jokes among the anecdotes, and Mr. Huggett tells them briskly enough, though whether or not he is anything like Waugh except to look at is more than I know.

I do know that Waugh would have been a little more careful of his detail. He wouldn't have said "awaiting for you," or "to entirely redecorate" or "rip-off"; he couldn't have mentioned laser-beams at the time of the publication of *Brideshead Revisited*, since they had not been invented; and if he really said that Mrs. Simpson was the Duchess of Windsor's "only legitimate title" he had evidently forgotten her previous marriages.

I think the truth is that Mr. Huggett has invented a character through whom he can relay the stories he has heard about Waugh and Randolph Churchill, Waugh and Nancy Mitford, Waugh and Fr. Ronald Knox and so on. As a portrait of Waugh it can hardly be taken seriously. But then I suppose it isn't meant to be serious.

B. A. YOUNG

Record Tate Gallery attendance

London's Tate Gallery had a record 1,330,937 visitors last year. The most popular exhibitions were *Abstraction, Salvador Dali*, and *Thomas Gainsborough*.

BASE LENDING RATES

A.B.N. Bank	14 %	■ Hambros Bank	14 %
Allied Irish Bank	14 %	■ Hill Samuel	§14 %
American Express Bk.	14 %	C. Hoare & Co.	†14 %
Amro Bank	14 %	Hongkong & Shanghai	14 %
Henry Ansbacher	14 %	Keyser Ullmann	14 %
AP Bank Ltd.	14 %	Knowsley & Co. Ltd.	16 %
■ Arbuthnot Latham	14 %	Langris Trust Ltd.	14 %
Associates Cap. Corp.	14 %	Lloyds Bank	14 %
Banco de Bilbao	14 %	Edward Manson & Co.	15 %
BCCI	14 %	Midland Bank	14 %
Bank of Cyprus	14 %	■ Samuel Montagu	14 %
Bank of N.S.W.	14 %	■ Morgan Grenfell	14 %
Banque Belge Ltd.	14 %	National Westminster	14 %
Banque du Rhone et de la Tamise S.A.	14½ %	Norwich General Trust	14 %
Barclays Bank	14 %	P. S. Refson & Co.	14 %
Beneficial Trust Ltd.	15 %	Rossminster	14 %
Bremar Holdings Ltd.	15 %	Ryl. Bk. Canada (Ldn.)	14 %
Brit. Bank of Mid. East	14 %	Slavenburg's Bank	14 %
■ Brown Shipley	14 %	E. S. Schwab	14 %
Canada Perm't Trust	15 %	Standard Chartered	‖14 %
Cayzer Ltd.	14 %	Trade Dev. Bank	14 %
Cedar Holdings	14 %	Trustee Savings Bank	14 %
■ Charterhouse Japhet	14 %	Twentieth Century Bk.	14 %
Choulartons	14 %	United Bank of Kuwait	14 %
C. E. Coates	14 %	Whiteaway Laidlaw	14½ %
Consolidated Credits	14 %	Williams & Glyn's	14 %
Co-operative Bank	*14 %	Wintrust Secs. Ltd.	14 %
Corinthian Secs.	14 %	Yorkshire Bank	14 %
The Cyprus Popular Bk.	14 %		
Duncan Lawrie	14 %		
Eagil Trust	14 %		
E. T. Trust Limited	14 %		
First Nat. Fin. Corp.	16½ %		
First Nat. Secs. Ltd.	16 %		
Robert Fraser	14 %		
Antony Gibbs	14 %		
Greyhound Guaranty	14 %		
Grindlays Bank	‡14 %		
■ Guinness Mahon	¶14 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 11½%, 1-month 11¾%. Short term £8,000/12 months 13.35%.
† 7-day deposits on sums of £10,000 and under 11½%, up to £50,000 12%, and over £50,000 12½%.
‡ Call deposits £1,000 and over 11½%.
¶ 7-day deposits 12%.
§ Demand deposits 12%.
‖ 21-day deposits over £1,000 13%.

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Wednesday February 4 1981

The lessons of Brokdorf

CHANCELLOR Helmut Schmidt has been given a stinging slap in the face by political allies from his own home town of Hamburg. At the same time, in deciding to end the city's financial support for a new Government-backed nuclear power station at nearby Brokdorf, the Hamburg Social Democratic Party has also sent out a message that should not go unheard in the rest of the Western world.

First and foremost, of course, the Hamburg decision is a rebuff to the Chancellor's plans to reduce West Germany's vulnerable dependence on imported energy through the construction of nuclear power stations. It is particularly galling to Herr Schmidt; he had apparently thought that the strength of the anti-nuclear lobby in West Germany might have passed its peak. He had even raised the stakes by sending one of his most important lieutenants, Herr Hans Apel, the Defence Minister, to argue the Government case in Hamburg.

Left wing

The Hamburg vote, even if it can be in some way outflanked by other political or financial means, is bound to cause serious problems in Bonn. It shows, once again, that trouble on the left wing of the Social Democratic Party can threaten major disruption in the current, increasingly hard-pressed coalition with the liberal Free Democrats. It shows that Federal Government policy cannot always be pushed through at local level, even when the regional Government is of the same political persuasion. And, if the Hamburg precedent is followed by other state legislatures, it shows that Bonn could have serious difficulty in imposing an energy policy that it sees to be in the *national interest.*

It is hard to argue with Herr Schmidt's thesis that West Germany needs to reduce its dependence on imported energy. In straightforward economic terms, oil imports have helped to accelerate the country's unaccustomed current account deficit. In both political and economic terms, the country's dependence on potentially uncertain supplies from the Middle East has become increasingly unacceptable, a point that has been reinforced by the outbreak of the Gulf War. Attempts by Bonn, or any other Western Government, to bridge the gap with increased gas purchases from the Soviet Union must at the very least be regarded as questionable in the difficult international climate that almost certainly lies ahead. The Soviet Union has a good record for honouring commercial deals with the West under normal conditions. But it is not a good principle to rely on potential enemies for vital supplies that could help one to stand up to that same enemy in times of crisis.

Potential

The fact is that most Western Governments have come to the, albeit sometimes reluctant, conclusion that there is an energy gap that needs to be filled by nuclear power between now and the year 2000, and perhaps beyond. The potential of solar, tidal or wind power, for instance, is not likely to make any major impact until the beginning of the next century at the earliest. Energy conservation, though vital, will not be enough by itself to bridge the gap. Even Governments like those of Sweden and Austria, which would much prefer to find a viable non-nuclear alternative, have been unable to do so.

Nevertheless, a section of public opinion in Western industrialised countries remains to be convinced that nuclear power is the answer — even on a stop-gap basis until new sources become available. In some countries, like the Netherlands, there is a powerful groundswell of opposition to anything nuclear, whether it be military or civilian. The opposition is not going to go away as a result of benign neglect by Governments. There are legitimate anxieties about such issues as safety, storage and waste disposal that must be taken into account.

Highly emotive

That is the lesson that should be drawn from Herr Schmidt's humiliation over Brokdorf — whether or not the power station concerned is finally comissioned. If Governments believe nuclear power is needed, they must carry public opinion with them. Nuclear power is an essential element in the energy balance, but its development should not be at the expense of conservation efforts and the development of alternative sources of energy.

It remains, moreover, a highly emotive issue, in spite of its remarkably high safety record so far. The onus is on governments to reassure their citizens that investment in nuclear power is both economically necessary and socially acceptable.

Industry's annual shopping lists

ON SUCCESSIVE days the TUC and the CBI have drawn up their normal annual shopping lists of demands for the Chancellor, no doubt with the normal scepticism about any visible results. It seems a pity that this annual exercise should have become so sterile; but as long as the TUC uses the occasion to parade its profound doctrinal differences with the government in office (and Mr. Healey fared little better than Sir Geoffrey), while the CBI simply clips together a list of sectional demands, the representations are likely to be regarded as propaganda.

Beguiling

The TUC's alternative strategy proposals are not really addressed to the Chancellor at all, but to his Shadow, Mr. Peter Shore. The whole approach, in macro-economic terms, rests on a beguiling piece of arithmetic: a large fiscal stimulus would have so sharp an effect in cutting expenditure and raising revenue that quite modest soak-the-rich proposals would restore the PSBR to its current level.

It would be hard to find a more vivid illustration of the dangers of thinking in purely cash terms; a very large PSBR is only justified and manageable because of the recession.

The CBI, as might be expected, is much closer to the Government in its economic thinking, and some of its individual proposals have real merit. The Government already seems ready to respond to industry's complaints of excessive energy costs—not only the fuel oil tax, but possibly some other bulk supply charges too. We have discussed the case for some rate relief in the present chaotic circumstances, and some reduction in the National Insurance Surcharge would undoubtedly be helpful in present circumstances if it were financed by revenue increases elsewhere.

However, the CBI costs its own proposals at £1.3bn in increased expenditure, offset by £300m of favourable cyclical effects (the CBI seems to use a less optimistic computer than the TUC), and this does not seem consistent either with the claim that the proposals are fiscally neutral, or with the call for lower interest rates.

Other potentially very expensive proposals, stock relief, and the CBI's notion of allowing companies with no taxable profits to borrow at net terms by passing relief on to lenders, are not costed at all; in these circumstances they are unlikely to be considered on their merits.

Both documents also take in questions of general economic management as well as Budget decisions, and have much of interest to offer. The TUC's call for greater attention to tarining and youth employment is timely, and both bodies call for higher public sector capital investment. This ought to be manageable with more appropriate means of investment finance.

Speculation

Perhaps the greatest argument, however, will be provoked by the CBI's call for active exchange rate management, aimed at better competitiveness, and including the use of exchange market intervention. The CBI's timing here has proved uncannily good. Since Mrs. Thatcher has admitted concern about competitiveness, and the Governor of the Bank of England made a speech indicating that Britain might now contemplate joining the EMS at an appropriate time, the subject of intervention must be regarded as open for discussion once more.

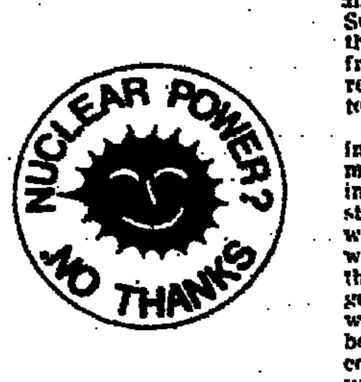
It is a subject, however, which needs to be approached with proper caution. Intervention has often backfired when it is opposed to strong market forces, and London is not the only source of exchange rate instability; in present circumstances a stated target might be likelier to provoke speculation than to calm it. On the other hand there could well be a role for official capital exports to counter the strong cyclical forces affecting the current account. This debate should be pursued.

REACTOR PROGRAMMES

Regenerating the nuclear option

By Martin Dickson, Energy Correspondent

A small, fat Englishman, dressed only in a bowler hat and a caveman's furs, is about to be launched into the nuclear energy propaganda battle. The man is a car sticker cartoon character (left) created by the Electricity Council as a counter to the ubiquitous anti-nuclear campaign slogan, "Nuclear power? No thanks" (right) which can be seen on vehicles across the Western world from San Francisco to Stockholm. The sticker is a small but significant example of the way the international energy establishment is anxiously mustering its forces against the anti-nuclear lobby.



IN THE EARLY 1970s West Germany embarked, like other Western countries, on an ambitious nuclear programme designed to break once and for all its dependence on imported oil.

Almost a decade of legal wrangling and political uncertainty later, West Germany has less than half the nuclear capacity projected at the start of the 1970s.

Two days ago the programme suffered yet another setback when, amid violent demonstrations, the Hamburg branch of the ruling SPD party turned down plans for a new nuclear plant at Brokdorf near the city.

Brokdorf thus becomes the latest symbol in one of the most important propaganda battles now being fought in the non-Communist industrialised world — for and against nuclear energy.

The stakes are very high. In Germany the realisation that the nuclear programme is way off course — and that imported oil will continue to overhang the balance of payments — has been one of the reasons for the recent pressure on the Deutsch Mark.

But the present anxiety spreads far beyond Germany. The great growth of nuclear plant ordering across the Western world in the 1960s and 1970s has slowed dramatically. As the graph shows more reactors have been cancelled during the past three years than have been ordered.

Yet this coolness towards nuclear power in many countries (France being the most obvious exception) has *coincided with ever-rising oil* prices and repeated warnings that the world needs both expanded coal and nuclear power production if it is to bridge the energy gap that will loom towards the end of the century.

"Just 25 years ago nuclear power offered mankind a hopeful vision of the future. Today we find ourselves confronted with a paralysing crisis of confidence in the future of nuclear power when we can least afford it," Dr. Ulf Lantzke, director of the International Energy Agency, said in a gloomy speech last September.

He warned that failure to meet nuclear expansion targets was unlikely to be made up by other forms of energy and that the world would therefore suffer "still lower economic growth, with the unemployment, the hardship and the instability this entails."

Dwindling public confidence in nuclear power was the greatest threat to nuclear growth, Dr. Lantzke argued, and he called for an international programme of action to restore the industry's image.

Whatever the anti-nuclear forces say, the drop in orders does not only stem from waning public confidence. It is due partly—some would argue predominantly—to the much slower growth in energy demand which has followed the 1973-74 oil crisis.

It is also attributable to the current poor climate for capital investment. Power station construction costs have soared in recent years and historically high interest rates have increased the difficulties of power utilities.

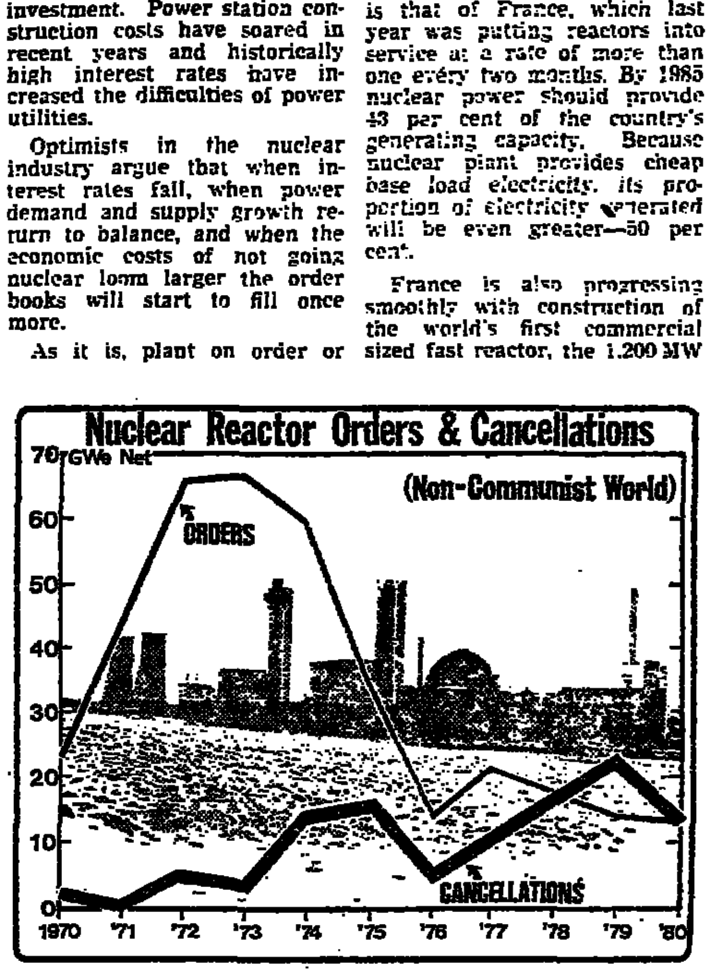
Optimists in the nuclear industry argue that when interest rates fall, when power demand and supply growth return to balance, and when the economic costs of not going nuclear loom larger the order books will start to fill once more.

As it is, plant on order or under construction will raise the non-communist world's nuclear capacity from 125,000 MW now, providing 8 per cent of electricity, to 224,000 MW in 1985, providing 15 per cent of electricity supplies. By 1990 there should be at least 310,000 MW on stream.

However, the 1990s are more problematic. Because of the long lead times involved in power station construction, delays now in ordering plant will then be reflected in generating capacity. And because individual countries are adopting remarkably disparate approaches now to the nuclear question, so the energy problems they face in the 1990s could be very different.

By far the most impressive nuclear expansion programme is that of France, which last year was putting reactors into service at a rate of more than one every two months. By 1985 nuclear power should provide 43 per cent of the country's generating capacity. Because nuclear plant provides cheap base load electricity, its proportion of electricity generated will be even greater—50 per cent.

France is also progressing smoothly with construction of the world's first commercial sized fast reactor, the 1,200 MW Super-Phenix, which is due for completion in 1983. Fast breeders are generally more controversial that conventional nuclear plant because they are fuelled with plutonium, a nuclear explosive.



Graham Lever

How have the French done it? Three factors seem crucial. Lack of indigenous oil or coal have given urgency to the search for alternatives. The Government has adopted a strongly pro-nuclear stance. And finally, France's planning inquiry system works strongly in the authorities' favour: documents describing a project are simply put on display in a town hall and people are simply allowed to raise questions about them before the Government takes a final decision.

In the UK, matters are more complicated. A lengthy public inquiry can be expected into the CEGB's application to build a PWR at Sizewell, Suffolk—the same kind of reactor involved in the Three Mile Island accident in the U.S. in 1979 *(although of a different specific design).*

But although lengthy, British public inquiries are relatively straightforward compared with the extremely complex legal jungle found in some other countries. The U.S. is a lawyer's paradise in this respect.

Equally, successive UK governments have taken a firm pro-nuclear stance—despite costly changes of policy over the type of reactor needed. And the anti-nuclear lobby has been notably peaceful in its protests.

The UK has generated nuclear power since the 1950s and now relies on it for 11 per cent of its electricity. The PWR is supposed to be the first in a major 15,000 MW expansion plan from 1982-83 to 1992-93.

Japan, too, is now pressing ahead strongly with nuclear power, despite a slow start attributable partly to the memory of Hiroshima and Nagasaki. Despite some public opposition, it expects to have 25,000-30,000 MW on stream by the mid-1980s. There have been delays in obtaining planning approvals because of the power which planning laws give to local interest groups.

Similar problems, though more acute, are found in West Germany, where some 17,000 MW are in operation or under construction but up to *14,000 MW are held up by planning* delays—some of which have lasted more than five years.

A major problem is the extremely complex plant licencing system which involves a multitude of agencies at state and federal level. Even when permission for a station is granted, it can easily be challenged in the courts by one of Europe's most vocal anti-nuclear movements.

Chancellor Helmut Schmidt says he is committed to nuclear power but the Bonn coalition Government's attitude has been tempered by the fact that both parties in the partnership contain influential anti-nuclear elements.

An equally diverse pattern can be seen among other European nations. Neither Norway nor Denmark have any nuclear stations and have deferred a final decision on the issue. Belgium and Holland are both at present in the throes of major public nuclear debates. Holland has little nuclear plant but the Government wants to build more. Belgium is heavily reliant on the atom—by 1985 it will supply about 50 per cent of its power.

NUCLEAR PROJECTS

Installed capacity in MW 1000s and % of total electric capacity

	1980	1985
U.S.	53 (8%)	100 (12%)
France	10.5 (17%)	34.8 (43%)
Japan	15 (12%)	30 (17%)
W. Germany	8.5 (10%)	17.8 (18%)
UK	8 (10%)	10.5 (12%)
Sweden	3.7 (13%)	7.4 (22%)
Spain	0.6 (2%)	7.2 (16%)
Belgium	1.6 (17%)	5.4 (36%)
Italy	1.4 (3%)	2.4 (4%)
Netherlands	0.5 (3%)	0.5 (3%)

Source: Industry estimates

Italy, which is heavily dependent on imported oil, wants a modest expansion of its nuclear power but is placing its main reliance on coal.

Three European countries have held referenda on the issue. In Sweden, one of the first nations to develop its own nuclear technology, a vote last year decided in favour of completing the current 12 reactor programme and then halting all future development. In Switzerland, which gets more than 25 per cent of its power from nuclear plant, citizens rejected a request for a moratorium on further development.

By contrast, Austrians voted in 1978 by the narrowest of margins against commissioning the completed Zwentendorf station, just outside Vienna, which has become an expensive white elephant. There are signs the Government would like to get the vote reversed, but it would not be easy—a law has been passed which forbids the commissioning of nuclear plant until a two-thirds majority in parliament concurs.

The U.S. still leads the world *in nuclear capacity—with 53,000* MW on stream—but gloom has pervaded the power plant industry in recent years. Not a single new nuclear order has been placed since 1978.

This is due partly to increased public hostility following the Three Mile Island accident at Harrisburg. No one was killed but the incident became one of the most potent symbols of the anti-nuclear movement. "No Harrisburg at Sizewell," proclaims one British protest badge.

But there are three further important factors in the dearth of orders: much lower electricity growth in the U.S.—3 per cent or less a year compared to more than 7 per cent in the early 1970s; complex planning regulations; and high interest rates making it difficult for power companies to raise capital.

The advent of the strongly pro-nuclear Reagan administration in place of the equivocal Carter team has been warmly welcomed by the nuclear industry. But however great the change in stance, no new nuclear orders are expected to be placed for at least two to three years.

Are there any common threads in this diverse international pattern? A rough correlation does exist between a country's dependence on imported energy and its commitment to nuclear power. But there are exceptions — notably West Germany and Italy.

But as Dr. Sigvard Eklund, Director-General of the International Atomic Agency, has acknowledged, much of the diversity is due to "the actions of political decision-makers and questions of public confidence." The challenge facing the industry is how to allay public concern — over nuclear safety, the disposal of waste, and weapons proliferation.

"The biggest task facing the nuclear power industry is one of educating public and politicians in such a way that a balanced critical approach to the risks and benefits of nuclear power replaces the uninformed emotional response," according to Professor Ian Fells, of the University of Newcastle-Upon-Tyne, a leading energy analyst. "Only then can political decision-makers, reflecting public response, develop acceptable energy strategies."

MEN AND MATTERS

Basking in the King's road

Whether King Juan Carlos of Spain's visit to the rebellious Basque provinces brings reconciliation in its wake or not, Madrid is encouraged to learn that some, at least, of the preparations for the Royal Progress have been well-received.

The Basques have long bemoaned the run-down state of much of the region's infrastructure, and in particular, the near homicidal disrepair of the road system—part and parcel, it was alleged, of the iniquities of a centralised budgetary system.

Eyebrows were raised therefore, when 16 months ago, Madrid made cash available for the widening and relaying of certain of the more adventurous routes. Among them was the road to Guernica, the emotional capital of the Basques and focal point now of the King's visit.

The Basques quickly twigged that such lavish spending meant the King was on his way, and that as a result, negotiations over the thornier questions of regional autonomy were increasingly likely to go their way.

Recent concessions seem to have borne this out. Powers to levy taxes have been restored to the Basque Government and it has been granted the right to its own internal police force.

While none of this has turned the Basques into instant monarchists, it has certainly ensured the King—not to mention his recalcitrant subjects—a smoother ride.

"I said MOST OF THE LOCAL PROTESTERS HAVE LOST THEIR VOICES!"

Book value

What sounds like a mini-boom in small businesses in rural North Yorkshire has followed the BBC's television series "All Creatures Great and Small," based on James Herriot's tales of a vet.

More than 140 new businesses —ranging from engineers to potters — were started in the area last year, the Council for Small Industries in Rural Areas reports. And organiser James McKinney ascribes much of the growth to the influence of the Thirsk author. "He has done more than anyone to show people what an attractive area it is in which to live and work," he says.

With reasonable prospects of success too, it seems. McKinney tells me that he knows of only four small businesses in the area that have gone into liquidation in the past 12 months.

Many of the newcomers are taking over deserted farm buildings and even abandoned village schools in which to start their enterprises — often financed out of redundancy payments collected in bleaker industrial parts of the country.

Hammer horror

The call of "Quiet please" on the Stock Exchange trading floor, followed by the announcement that a member firm is "unable to comply with its bargains" is thankfully rare. But yesterday, for the first time in five years, the sombre words were heard, and the two-partner firm of Norman Collins was "hammered."

The terminology derives from the traditional use of a gavel to bring the trading floor to order. The introduction of a public address system has superseded that practice, but the message remains just as grim. The moment that default is declared, the partners concerned cease to be members of the Exchange. Re-admission is not considered until all debts have been met, and would be unusual even then.

Where the work of defaulting partners ends, that of the Stock Exchange Official Assignee begins. That gentleman is currently Martin Fiddler, otherwise head of the Stock Exchange Membership Department. The normal form would be for the firm to make its assets over to Fiddler by a deed of assignment and Fiddler creditors may then present for settlement claims relating to Stock Exchange business.

Such amounts would be promptly met out of the Stock Exchange Compensation Fund. The Official Assignee then takes over the creditor's claim, for eventual settlement to whatever degree the defaulter's estate allows. The Compensation Fund now sits at £1.25m, and should be comfortably able to absorb what are expected in this case to be relatively modest liabilities.

Private life

An innocent press-package mix-up afforded my man a glimpse into the inner workings of this week's life insurance industry jamboree. For, clearly terrified at the prospect of meeting some 30 zealous seekers after truth, the Life Offices Association and Associated Scottish Life Office *had armed their side with* a detailed 17-page briefing note on "possible questions and suggested answers."

The document covered every conceivable line of inquiry from anodyne subjects like "communications" and "European developments" to controversial matters such as the new code of practice and the LOA commissions agreement.

I am sorry to report, however, that the otherwise admirably comprehensive aide-memoire slipped up in one important respect. Rightly anticipating queries about possible further defections from the LOA over the prickly issue of the level of brokers' commissions, ASLO chairman, Joe MacHarg, was counselled to (and duly did) reply: "I do not know of any."

What a surprise, then, to learn yesterday that Schroder Life will shortly resign from the association, following the examples of Crown Life last summer and Abbey Life just before Christmas.

Old brooms

It is not only the archaelogists who are digging into China's past. Government officials, I gather, are now mounting a vigorous attempt to unearth some of the county's old capitalist skills.

Word has gone out from Peking that former businessmen and industrialists, whose enterprise has long been discredited, must now be brought out of "retirement" to help in China's economic development.

Those with managerial expertise who can still work should be appointed to leading posts in local party work and organisation departments, says the Communist Central Committee's circular. "Some should be given titles," it adds.

"Those with specialist skills but who are old and weak should be appointed advisers . . . and should receive proper treatment."

Full-time job

Overheard in the Stock Exchange: "Well, it's an ill wind, old boy. If Tiny and Sir Hugh are determined to make up their differences, they'll have precious little time for anything else."

Observer

Leslie Colitt, recently in Warsaw, says that Solidarity, the independent union, and the Government may have to compromise

Poland's unpalatable credibility gap

OUTSIDE A butcher's shop in the Polish city of Katowice, a plainly dressed man stood guard over his reward for several hours of Saturday queuing—half a dozen slabs of frozen meat.

He was joined by his wife and son, both straining with the burden of meat packages, and together they walked away with what looked like a month's supply of meat. The 80 or so customers still waiting patiently inside the butcher's went away empty-handed because of the panic buying at the head of the queue.

The scene in Katowice, which is repeated throughout Poland each day, illustrates the country's central dilemma. Poles are taking what they can get out of a shrinking economy while refusing to heed the Government's appeals to work harder. As consumers, Poles are convinced there will be even greater shortages tomorrow. As workers they are meanwhile resisting co-operation with the authorities. They are, above all, deeply suspicious of any official formulas for economic recovery.

The credibility gap between Government and people has grown so wide that even a plan to ration meat and butter has *now had to be shelved. The* Solidarity union, representing 10m out of 11m Polish workers, says it has not had enough time to study the plan. Attempts to reduce the vast subsidies for meat, which is cheap even on Polish salaries, led to the downfall of two Polish Communist Party leaders in the past 10 years. Both the late Mr. Wladyslaw Gomulka and Mr. Edward Gierek were toppled when they tried raising meat prices, directly and then by stealth.

Although it would seem to be playing with fire senior government officials now talk about the introduction of meat rationing as a first step toward raising meat prices at a future date. They argue that with rationing, meat prices on the farmers' free markets will soar as Poles seek to buy added quantities of meat. This, they reason, would finally permit meat prices in State stores to be raised and unpopular rationing to be ended. In order to make the plan palatable to Solidarity, lower income groups are to receive direct payments to make up for the price increases while neglected Polish farmers will get higher state purchase prices.

There is one major flaw in this third act of the Polish meat drama. A leading protagonist, Solidarity, is missing. Without Solidarity's assent or at least acquiescence, rationing cannot be introduced. The difficult question for Solidarity however is whether it should take responsibility for a plan which, if it fails, will be blamed on both the Government and the union.

Mr. Lech Walesa has said Solidarity cannot become responsible for political, economic and social decisions after accepting the "leading role" of the Polish Communist Party.

Economists and sociologists in Solidarity's new brain trust, the *Social Research Centre, will* soon take up the entire question of rationing and the cost of living. But the problem is a complicated one for Solidarity as it sees "control" of the Government as its first priority—not co-operating with it.

If meat is an item of extreme scarcity in Poland, cheap and plentiful bread—an article of faith for Communist governments—is a problem of wasted grain on an enormous scale.

Late each afternoon a ritual takes place in bakeries the length and breadth of Poland. Customers stream in from work for crusty Polish bread selling at a highly subsidised eight zlotys (about 10p) for a half kilo loaf. With their low wages and shortages of nearly everything, Poles at least expect their bread *to be fresh.* The customers walk past shelves packed with bread, pressing the crusts to find fresh loaves. On discovering that all the bread is from an early morning delivery they leave hastily in search of freshly baked bread.

Meat is extremely scarce in Poland, and bread is being wasted. Government officials are worried about what would happen if Poland's harvest fails for the fourth year running, and are also considering meat rationing as a prelude to another attempt to raise prices. But the attitude of Solidarity is crucial to the country's badly-needed economic reforms.

Cheap bread thus means that each day a not inconsiderable part of the 10m tonnes of grain Poland imports from the West at a cost of $2bn a year ends up as unsold bread which is turned into bread crumbs, alcohol and animal fodder. Polish households habitually throw bread away when it is more than a day old.

Grain imports are now the chief component that will drive up Poland's $23bn indebtedness to the West by an estimated 10 to 12 per cent this year. Govern*ment officials shudder to think* what would happen if Poland's harvest this year should fail for the fourth time in succession. Solidarity could probably get Poles to pay more for bread and stop its use as pig food, but the union argues that before it could do this, the Government would have to live up to the 21 points in the Gdansk agreement of last August.

Until recently Poland exported up to 300,000 tonnes of meat a year to the West, so that part of the imported western fodder produced hard currency income. But this year Poland will import some 60,000 tonnes of meat while domestic meat output is expected to fall 15 per cent. In order to stimulate meat production the Government wants to offer individual farmers low priced coal, fodder and fertiliser and higher prices for meat. But as long as the Government refuses to accept Rural Solidarity as the union representing the farmers, their mistrust of the authorities will remain.

Throughout the Polish economy, production goals for this year are being reduced as enterprises, strongly influenced by local Solidarity unions, are submitting estimates of planned production this year to the once *omniscient Planning Commission.* The revised plan for 1981 will not be sent to the Polish Parliament for approval until March and one Government economist admitted: "We still won't know what will happen three weeks ahead."

The Government has now produced the draft of an economic reform which is aimed to inspire the country to pull itself out of the present morass. For their part the people have largely only glanced at it in the newspapers, while shuffling forward in the endless queues. Solidarity's economists were present as observers when the economic reform was worked out but the union until now has refrained from public comment on it.

In the evening television *news Government ministers* regularly plead with their fellow Poles to begin working for the "sake of the nation." But Polish viewers recall that under Mr. Gierek economic prospects were depicted as more glowing every day, so that perhaps all the present gloom is also exaggerated.

The Government's economic reform envisages a large degree of factory autonomy and self financing, workers' co-manage*ment, and eventual change over* to real prices, a shift of resources into smaller scale industry and private agriculture, and the formulation of planned targets by the enterprises. These proposals, however, which would have been regarded as heretical by the Polish Communist Party only a year ago, are not meeting with much favour at Solidarity.

The union's economists dismiss the reform plans as having been drawn up by people who drafted the so-called economic reforms of the 1950s, 1960s and 1970s.

The Government clearly is trying to eliminate the middle level of bureaucracy which blocked every past attempt to improve economic performance. But Solidarity's economic advisers say the Government should have stated, and not merely hinted, that its own 42 industrial Ministries must be eliminated. The Government, however, has enough problems at the moment without alienating thousands of its bureaucrats.

One influential Solidarity adviser suggested that economic life in Poland cannot be changed "without a deep-seated reform of political life." He noted that all reforms entailed costs which people have to pay voluntarily. Their confidence, he said, must be gained by creating a new model of political life "without changing the Communist Party."

It is highly doubtful whether the leadership of the debilitated Polish Communist Party can fill this bill, divided as it is into hard liners and reformers and under the severest pressure from Moscow. Mr. Stefan Bratkowski, the head of the Polish journalists' union, recently wrote that anyone expecting to introduce reforms while remaining at odds with workers, party members, intellectuals and journalists should not expect success.

Mr. Walesa was only half joking recently when he said: "Maybe we should just buy our factories. If we owned them we might be able to do something."

He and other Polish workers learned in school that they owned the means of production. But their strikes last August changed everything. Solidarity now wants to reverse the process by turning state ownership into social ownership.

This will involve a massive shift of national income to low-paid workers which will add more to national spending power and fuel inflation, as supplies continue to contract.

Solidarity says it has begun work on its counter-proposals to the Government's economic reforms but this does not mean both sides will then sit down and calmly work out a compromise. The issue of negotiations with the Government on an economic reform is one of the most hotly debated subjects within Solidarity. Most of the union's leaders believe it should concentrate on controlling official actions and not enter into agreements with the Government which would prevent Solidarity from fulfilling this role.

An aide to Mr. Walesa noted that it all came down to "our lack of confidence in the Government's actions." Perhaps, he added, "this will change in months or years." But both *sides may be forced to compromise* sooner than they believe by the lengthening queues in Poland's shops.

Letters to the Editor

It's machines that matter

From Mr. O. Bruun.

Sir,—*The intrusion of a Japa*nese giant as an automobile manufacturer in Britain leaves me with reflections which have apparently not occurred to any of the British Press or government commentators. It establishes the total difference in industrial concepts between Japan and Britain.

British industry is still (in its labour relations) concerned about productivity awards in return for greater output, while *the Japanese have* found that in modern industry is is not labour productivity that matters and British labour is equally productive to Japanese labour. In modern industry it is machine efficiency that matters, and the only function of labour should be to supervise the machines.

Before this concept dawns on British industry it will have no chance of competing with the Japanese.

My advice to British industry in general is to forget about labour productivity and abolish their countless productivity committees whose only mission is to mislead British industry into believing that it is still the 1850 conception of labour skill and productivity that matters.

Otto J. Bruun.
24, H. V. Nyholmsvej, DK-2000 Copenhagen F, Denmark.

The real 'real interest rate'

From Mr R. McFarland

Sir,—It is unusual for Anthony Harris to get so excited (Lombard January 20) —the real "real interest rate") and as my earlier letter (January 15) must make me a prominent flat-earther, I would like to comment on the points he raises.

I have to admit that to assume a constant relationship between *inflation* and the annual interest rate is clearly an over-simplification. It is, though, the essence of truth compared to the grotesque distortion inherent in statements made by many businessmen to the effect that normal profit margins are inevitably inadequate with gross interest rates at 16 per cent per annum plus levels.

Mr. Harris's other arguments are more sophisticated, but he assumes that positive manage*ment has no* part to play. Surely a company needs to manage the real cost of its money and pays the price if it gets it wrong. Such risks apply equally to other resources for example raw materials or labour. The basic concepts of gearing, of matching long term loans with long term contracts, the spreading of risk through creditor financing or factoring are all designed to reduce the company's exposure should the interest rate significantly exceed *the* inflation rate. Such a state of affairs may exist at the present time, but I suggest that the disparity cannot continue for long, unless the Government goes completely mad, and that anyway, for the vast majority of companies, the burden is restricted to its marginal short term borrowings.

The basic argument, therefore, remains valid, that most companies have been able to move their prices up in line with inflation while their average borrowing rate remains below the inflation rate. Mr. Harris's point that wholesale prices have recently risen more slowly than the retail price index is illogical as if this reflects stable or even falling raw material prices, companies *would not need to add to their* borrowings at the penal real rates to finance stocks.

I do accept that the small, highly geared company that borrows short to finance its long term assets is, in current conditions, highly vulnerable; but what a way for the country's bankers to finance the industrial sector. I suspect that here and on the disastrous consequences if real interest rates do remain at an abnormally high level, Mr. Harris and I would share the same brief.

Robert G. McFarland.
221, Westbourne Grove, W11.

Blackbushe airfield

From the Chief Executive, Hampshire County Council

Sir,—In hinting at a David v. Goliath encounter over the future of Blackbushe airfield ("Villagers challenge airfield proposal," January 20), Robin Pauley says Eversley Parish Council is trying to stop Hampshire County Council from allowing the owner to expand the airfield's facilities.

The less romantic truth is that the councils see eye to eye on the need for firm limits to be placed on activities at the airfield. Disagreement is over the way those widely demanded restrictions can best be assured.

The parish council and Hart *District Council—as Mr. Pauley says*—have asked for a public inquiry to be called by the Environment Secretary, but this could only be into the planning merits of current planning applications. Mr. Heseltine has no power to require the parties to enter into any agreement or dictate the terms of such agreement.

Mr. Pauley's surmise over the terms of the proposed deal with the airfield's owner, Mr. Douglas Arnold, is incorrect. Blackbushe already *has planning* permission (granted on appeal in 1963) for use as an airfield and this is not subject to any restriction on the hours of flying or the types of aircraft which might use it. Mr. Arnold *would get the further planning* permissions he has been seeking in return for an agreement which substantially limits rights he already has. These are not in return for relinquishing the purchase notice to which he has already agreed. Once the agreement has been reached, neither party has any intention of proceeding with the purchase notice.

The suggestion that the main runway at Blackbushe could be extended to take bigger aircraft is completely out of the question. The only way it could be lengthened is over public open space owned by Hampshire County Council who are most unlikely ever to approve such a proposal.

L. Keith Robinson.
The Castle, Winchester.

Current cost accounting

From Mr. J. Nichols

Sir,—Lord Weinstock's comments on current cost accounting feature largely in the article by Barry Riley (January 28) and I feel that in fairness to academic accountants and the Consultative Committee of Accountancy Bodies they should be answered.

It must be stated that it is recognised by the CCAB and accountants in general that CCA, *as the title indicates,* does not account for changes in the value of money; when applied to raw materials for instance CCA deals with the economics of supply and demand and with movements in currency exchange rates.

When it comes to academic accountants there are many who denounce accounting standard 16 because it fails to make allowance for inflation.

I do not consider that the CCA statements in a company's pub*lished accounts are meant* as aids to industrial and commercial managers in the day to day running of their business. They are no more guides to efficiency than the hocus-pocus of historical cost accounts required to *be published by a succession of* Companies Acts and Stock Exchange directives.

J. W. L. Nichols.
Mill House, Holton St. Peter, Halesworth, Suffolk.

Going it alone

From Mr. C. Fell

Sir,—About 20 years ago, having become very bored with being a part of various big businesses I decided, encouraged by my wife, to start a small one. I have six pieces of advice to offer to anyone thinking of "having a go."

Find a good, sensible, respectable accountant (i.e., one whom the Inland Revenue regard as a "right guy"). Mine would only take me on if I agreed to do it his way, and forget amateur book-keeping. Let your cheque book stubs, etc., do the work for you and play it straight. This covers VAT too.

Ask around until you find a decent bank manager: believe it or not they want you to succeed. Nothing is worse for a bank's reputation than liquidating their customers. If no one had an overdraft the banks would be bust; if all their clients failed they would also be bust.

Employ people you like and trust and encourage them to take all the responsibility you can. If you treat your staff decently they'll treat you decently, and frequently their ideas will be a damned sight better than yours.

Ask the experts; the bank managers, the lawyers, the accountants, your staff.

Keep your cool. Forget all the garbage about bureaucracy. Bureaucrats are also people. Approached decently they will help you and they know how.

C. J. Fell.
Crown House, Newport, Essex.

Unemployment and Keynesian policies

From the Principal, London Business School

Sir,—Frank Blackaby asks the question (January 29) how it was that, over 24 years, unemployment was held down at a time when "successive Governments were pursuing Keynesian policies." Moreover, inflation did not accelerate over this period.

The answer is simple. Such policies were indeed discussed and presented in Keynesian language, but were never carried to their logical conclusion. The persistent attempts to reflate the economy on to a higher growth path were manifest failures. The fact that unemployment and the rate of inflation were low had nothing to do with the number of interventions in the economy. For much of the period, the size, scope and ultimate consequences of such interventions were determined by the commitment to maintain the parity with the dollar. This resulted in repeated reversals of reflationary policy which produced the phenomenon of stop-go.

Mr. Blackaby seems to have forgotten the vigorous debates of the 1960s which suggested that the British economy was being held back by the adherence to a fixed exchange rate. It was argued that this commitment was preventing genuine Keynesian policies from being pursued. The devaluation of sterling in 1967 was seen by extreme Keynesian supporters as a throwing-off of chains. At last the pursuit of real Keynesian policies could be undertaken. The attempt to do so, when coupled with a floating pound in 1973, was near catastrophic.

Given a commitment to parity with the dollar, the ability of Britain to pursue independent monetary and fiscal policies was strictly limited. Low inflation was achieved by pegging the currency to the dollar which, until the middle and late 1960s, was supported by an extremely conservative American monetary policy. Low un*employment was associated with* the general buoyancy of the world economy, assisted by international monetary stability, favourable terms of trade for the Organisation for Economic Co-operation and Development countries, the removal of barriers to trade, and the secular effects of the war.

Therefore, despite the apparent belief in Keynesian policies by both political parties, the actual outturn was largely deter*mined by external factors. The* abolition of a fixed exchange rate system in 1973 gave the authorities increased monetary discretion and, for the first time, an opportunity to follow genuine Keynesian policies with the results that are there for all to see. That is why history prior to 1973 is of little significance in assessing their effects while the period since 1973 is important. To suggest that low *unemployment in the 1950s and* 1960s was not the result of interventionist policies is not to "rewrite history without numbers" but to put what actually happened in an international context beyond the Straits of Dover. To suggest (which Mr. Blackaby does not) that low inflation and unemployment in the rest of the world was also due to the pursuit of Keynesian policies is of course even more incorrect.

This *analysis also provides* the answer to a question that Mr. Blackaby has posed elsewhere, namely why some of us (at least) talk and worry about the money supply after 25 years of silence. Under the fixed exchange rate system, money took care of itself. Under a floating rate system, monetary policy becomes more independent, so making explicit attention to it that much more important.

Professor R. J. Ball.
London Business School,
Sussex Place,
Regent's Park, NW1.

Today's Events

GENERAL

UK: National Economic Development Council meets to discuss the state of the economy and industry—Mrs. Margaret Thatcher in the chair.

National union officials review pay dispute at British Airways.

Overseas: President Ronald Reagan's Cabinet meets, Washington.

Sir Ian Gilmour, Deputy Foreign Secretary, starts visit to Syria (to February 6).

Foreign Ministers of seven Gulf Arab states meet in Riyadh to discuss a Kuwaiti security plan.

Mr. Peter Blaker, Foreign Affairs Minister, visits Afghan refugee camps, Pakistan.

House of Commons: Industry Bill, remaining stages.

House of Lords: Debate on motion calling attention to the constant Government criticism of the public sector. Criminal Justice (Amendment) Bill, third reading.

Select Committees: Education, Science and Arts. Subject: private and public funding of the arts. Witnesses: Mr. Paul Channon, Minister for the Arts. (Room 6, 10.30 am). Welsh Affairs. Subject: Broadcasting in the Welsh language and the implications for Welsh and non-Welsh speaking viewers and listeners. Witnesses: Association of Welsh Broadcasters, independent Broadcasting Authority Welsh Advisory Committee. (Room 21, 10.30 am and 4.50 pm). Industry and Trade. Subject: Continuing costs of Concorde. Witness: Mr. Norman Tebbit, Under Secretary for Industry. (Room 16, 10.45 am.) Social Services. Subject: Medical Education. Witnesses: British Post-Graduate Medical Federation. (Room 16, 4.30 pm.) Employment. Subject: Training, mobility and unemployment. Witnesses: CBI and TU (Room 8, 4.30 pm).

OFFICIAL STATISTICS

Department of Energy publishes advance energy statistics for December.

COMPANY MEETINGS

Elson and Robbins, The Post House, Bostocks Lane, Sandiacre, Nottingham, 10. Fairline Boats, The Great Northern Hotel, Peterborough, 3. Keystone Investments, 30 Gresham Street, EC, 2.30.

UK COMPANY NEWS

Prestige dented with 8.1% fall-off in years profits

A DROP of 8.1 per cent from £6.17m to £5.67m in pre-tax profits is reported by the Prestige Group, manufacturer of housewares, for the year to December 31, 1980. Group sales rose by 4.1 per cent from £62.25m to £64.82m.

As reported at the interim stage, there was a severe reduction in demand at home starting in the second quarter, and this was accompanied by substantial customer de-stocking. The strength of sterling has also had an adverse effect on the profitability of export sales and on the results of overseas subsidiaries in sterling terms.

The pre-tax figure excludes currency translation differences which have been taken directly to reserves. In 1980 these amounted to a deficit of £421,000 (£255,000). Interest charges were up from £497,000 to £516,000.

After tax down from £2.48m to £2.18m, stated earnings per 25p share are 19.2p against 20.3p, before extraordinary credit of £278,000. The final dividend is unchanged at 4.375p for a same-again total of 6.875p. Dividends absorb £1.25m (same).

The board says the balance sheet at the year-end showed a strong position. Cash and short-term deposits (net of bank overdrafts) showed a reduction from £2.76m to £2.25m. This decrease in liquidity was due to the repayment of medium and long-term loans which amounted to £517,000 (£1.19m) at December 31.

Current cost accounts show an operating profit of £3.38m (£3.93m) and, after deduction of interest on net borrowing and adjustment for gearing, the pre-tax profit is £3.46m (£4.06m before extraordinary item). CCA earnings per share are 7.1p (8.7p before extraordinary item).

The company is a subsidiary of American Home Products Corporation.

● comment

Prestige Group's profits suffered less second-half erosion than many people expected, the final pre-tax figure falling only 8.1 per cent short of last year's. *However, it is the second year* of decline, and the descent from the peak reached two years ago *is now over 17 per cent. In 1979,* the strength of sterling dented overseas earnings — cutting exports and reducing the sterling value of profits from the overseas subsidiaries. Last year both effects intensified, at the same time as consumer demand was collapsing in the UK. Turnover increased by 4.1 per cent in money terms but output had to be reduced in the face of customer destocking: Prestige has had recourse to short-time *working and redundancies while* reducing its own stock levels by 5.4 per cent year on year. The balance sheet remains very strong, and the dividend has been held, which cheered the market. The shares gained 8p, *to 131p, where they yield 7.8 per* cent. The fully taxed p/e is 8.4.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Cowan, de Groot ......int.	1	April 1	1	—	3.5
Gold Fields Gp Sec. int.	‡125	March 27	270	180	400
Helene of London ...int.	0.37	March 17	0.37	—	1.48
McKay Secs. ....int.	1.35	March 23	1.01*	—	2.36*
Prestige Group	4.38	April 6	4.38	6.88	6.88
Wm. Sommerville ...int.	0.55	—	0.55	—	4.5
Steinberg Group ......int.	0.01	April 7	0.32	—	1.1
U.C. Investments	‡105	March 20	43	150	60
Unitech ....int.	2.52	April 1	2.1	—	6.09

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ South African cents throughout.

First half downturn at Cowan de Groot but dividend held

TAXABLE PROFITS of Cowan, de Groot dropped from £1.28m to £0.84m for the half year to October 31, 1980, and Mr. *Derrick Cowan, the chairman,* warns that the full year figure will be noticeably lower than the £2.57m of 1978-79.

However, the interim dividend is being kept at 1p net per 10p share and a maintained final of *2.5p is forecast.*

First-half turnover was down slightly from £23.73m to £23.41m. Tax took £186,000 (£666,000) giving unchanged earnings per share of 4.3p. The figures are not strictly comparable, however, as *there has been a change in the* basis of providing for tax following the announcement of the Government's new stock relief proposals.

Certain sections of the group, notably those selling toys and *hardware, performed well under* very difficult trading conditions throughout the period. Orders booked at the Harrogate Toy Fair last month exceeded those of last year.

Some group companies, however, *are feeling the adverse* business climate particularly those engaged in the wholesale trade. Its Republic of Ireland companies have been greatly affected by the general trading slump there, and where a fierce *credit squeeze and other prob*lems have reversed the rapid progress made in recent years.

In the machinery division, the severe downturn in industrial manufacturing has meant that far fewer firms are investing in new machinery. *This small* operation is now being completely reorganised and new management has been appointed. This will involve a short-term setback but is expected to ensure a sounder long-term future.

The group's overall position remains sound and the Board is continuing to pursue a number of acquisition opportunities. At the same time, it is hoped that actions being taken within the group will enable it to resume its previous upward profit pattern.

● comment

Cowan de Groot said goodbye to its impressive record yesterday. Half time profits fell by a third and the full year may produce little more than £1¼m. Surprisingly the shares only shed 2p to 53p where the fully taxed p/e is now a hefty 12. The forecast maintained dividend yields 9.6 per cent but that alone looks insufficient to prevent the shares shedding a few pence more. The real support is probably the belief that after this year Cowan will resume its steady upward path. Cowan pinpoints the Irish *electrical wholesale operation* and its small UK machinery company as the problem areas. The toy business bucked the industry trend—perhaps because of the predominance of small ticket items—and was a major factor in *shoring up the half time* profit. But the toy division cannot be expected to be so helpful in the second half and profits in the closing six months could be lower than those of the interim. Higher interest costs, which may have been responsible for £100,000 of the £400,000 interim decline, may be less of a burden in the second half as borrowings are at a seasonal low. Yet unperturbed by the cost of debt and capital clearing of 46 per cent in the last accounts Cowan is still looking for a sizeable acquisition—for cash.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims—Amalgamated Tin Mines of Nigeria, Benn Brothers.

Finals—Sterling Trust.

FUTURE DATES

Interims—

Abercom	Feb. 17
Apex Properties	Feb. 5
Christie-Tyler	Feb. 5
Eleco	Feb. 18
Syltone	Feb. 10

Finals—

Crest Nicholson	Feb. 10
Greenfields Leisure	Mar. 5
Moorside Trust	Feb. 11
Pentland Invest. Trust	Feb. 13
River and Mercantile Trust	Feb. 12
River Plate & Gen. Invest. Tst.	Feb. 12
Tube Investments	Mar. 11
United States Debenture Corp.	Feb. 18

Unitech 20% ahead but warns on full-year report

INCLUSION THIS time of results from its new German subsidiary, helped Unitech push half time taxable profit 20 per cent higher from £1.99m to £2.39m. Sales by this electronic component and equipment maker for the half year to November 29, 1980, were 41 per cent better at £44.76m.

Mr. P. A. M. Curry, the chairman, points out that without the contribution from Alfred Neye Enatechnik GmbH, acquired in March last year, growth in profit would be 7 per cent and sales 15 per cent.

The chairman warns that orders for the second quarter *were below sales, and if this* pattern continued full year profits are likely to fall short of the £5.26m reported for 1979/80.

While the manufacturing divisions as a whole produced a satisfactory profit increase during the half year, component marketing produced a lower profit due to a disappointing result in the UK, where second quarter sales were below expectations. Appropriate action has been taken by these companies to bring costs more into line with current trading levels, Mr. Curry says.

Stated earnings per 10p share were up from 5.6p to 5.8p for the six months and the net interim *dividend is being* raised to 2.52p (2.1p). Last time a 3.99p final was paid.

The midway trading surplus reached £3.15m (£2.31m) before net interest costs of £759,000, against £323,000.

Attributable profit emerged at £1.09m (£888,000) after tax of £1.24m (£1.03m), minorities of £54,000 (£13,000) and a pre-acquisition profit last time of £52,000. With dividends absorbing £475,000 (£360,000) retained balance came out at £618,000 (£528,000).

A £280,000 translation loss has been charged against retained earnings.

The going's getting tougher

BY ALAN FRIEDMAN

THE stock market's romance with electronic component shares *may be cooling down after a* build-up of nearly five years. Yesterday's disappointing interim results from Unitech appear to be more than just an isolated case. The various component distributors themselves now acknowledge that *1981 will* be a difficult year, leading to lower growth for some companies and actual setbacks for othres.

Unitech shares were down 21p at 231p in the wake of yesterday's statement and the other three component distributors which make up the "mini-sector" also dropped in unison. Electrocomponents, the biggest success story, fell 15p to close at 665p, Farnell was down 7p at 353p and *Diploma lost 7p to end* up at 162p.

The most worrying piece of news for the market was not the actual interim performance of Unitech or its two-point drop in pre-tax margins since year end. It was the company's prediction that pre-tax profits for the whole year are likely to fall short of last year's £5.26m. This makes Unitech the first components distribution company to suffer a profits setback since the start of the current growth cycle in 1976.

Mr. Peter Curry, Unitech's Harvard-trained chairman, said yesterday: "The level of business has not come through as we expected." He revealed that the group has made around 200 employees redundant during the last six months, representing 10 per cent of its workforce.

Mr. Curry also said that the German components business — Celdis — had suffered a small loss, as had the FRD television *mouldings division. Enatechnik,* the German components distributor which cost £3.4m to buy last year, had contributed around £260,000 to group profits for the six-month period, against a contribution of £205,000 in the last two months of *last* year.

The other three component companies are also facing harder times. At Diploma, which is most similar to Unitech because its distribution business is also in the high technology "active component" field, the outlook for the first half to December 31 is not exciting.

Analysts expect the group to barely meet the £3m it made in the first six months of last year. Mr. Christopher Thomas, chairman of Diploma, said yesterday that the market in components had "shrunk" during the last three to four months.

"Buyers have been adjusting their input loads and running down stocks as in other industries," he said. Mr. Thomas agreed that Diploma and Unitech, because of their greater concentration on active components, would probably suffer more than Electrocomponents *and Farnell.*

This is because margins are holding up better in the "passive" range of components, where the technology is simpler and the market is larger. The state of active component technology — as in transistors or semi-conductors — is changing so fast that products become obsolete more quickly. Prices are also falling more severely among these products.

Mr. Thomas explained that the components business had changed from a seller's to a buyer's market. Mr. Ron Marler, chairman of Electrocomponents, confirmed that buyers had become much more price-conscious, particularly in the second half of 1980.

Yet, analysts predict that Electrocomponents will achieve more than 20 per cent growth above its previous £13m pre-tax for the year which ends March 31. Likewise, Farnell could increase 25 per cent, from £5.1m to £6.4m pre-tax, for the year just ended.

The hiccough, it seems, will come during the coming months. Mr. Henry Elstone, finance director of Farnell, predicted "slower growth this year" *because of a rather flat market.*

What this suggests is that the historic share rating of Unitech, currently at a fully taxed level of 17, is very demanding. The same goes for Farnell's fully taxed p/e of more than 22.

Mr. Jonathan Carr, a partner at stockbrokers Messel and Company explained the high ratings as part of a recent vogue for the component shares. "The simple fact is that fashions get overdone," he said. Mr. Carr went on to comment that a p/e of more than 20 "is expecting quite a lot." In the near-term he did not think such expectations would be met.

At Unitech, Mr. Curry said the market should appreciate that component distribution is a cyclical business. "Maybe you should pay high p/es at the beginning of the cycle and low p/es at the top," he suggested.

Midterm loss for Steinberg

DESPITE A marginal rise in sales from £13.13m to £13.92m Steinberg Group plunged into the red in the 26 weeks to September 27, 1980, incurring a loss at the pre-tax level of *£372,000*, compared with a profit of £194,000.

Mr. Jack Steinberg, the chairman, says that since his last annual report when he said high interest rates and unseasonable weather had created a restrictive business environment which had seriously affected demand for women's clothing, economic conditions have continued to deteriorate resulting in the substantial decline in profits.

However, he says against this background the Board has initiated a further major programme of reorganisation affecting the group's outerwear manufacturing and wholesaling company, Steinberg and Sons, and the retailing division, Alexon and Co.

Productive capacity has been substantially reduced, unprofitable shops are being closed and the directors are seeking major reductions in group overheads and stock levels.

Mr. Steinberg says these measures will take time to implement but he is confident that the company will emerge from the recession better equipped for the future.

He says the directors took a prudent approach to dividends and decided to make a nominal interim payment of 0.01p net (0.32p). Consideration will be given to a final in the light of the full year figures. Last year a total of 1.0998p was paid from taxable profits of £558,000.

Tax for the half year was lower at £61,000 (£103,000), leaving a net loss of £433,000 (£91,000 profit) and a loss per 10p share of 3.44p (0.69p earnings).

There was an attributable loss of £823,000 (£91,000 profit), including extraordinary debts of £376,000.

Mr. Steinberg adds that the group's subsidiaries Sol Levy and *Horrockses traded profitably in the six months, as* did associate Butte Knit. Its business with Marks and Spencer continues to expand and the Board is concentrating its production into one factory as a separate trading division.

The Steinberg Group, based at Milton Keynes, manufactures ladies' clothing and handbags.

First UK convertible unit trust

Framlington Unit Management has launched the first unit trust to specialise in UK convertible loan stocks.

Taking advantage of provisions in the 1980 Finance Act under which unit trusts invested exclusively in fixed income securities no longer have to pay corporation tax, Framlington intends that 75 per cent of the new trust's portfolio will be in *convertibles and the remainder* in gilts.

The trust is being offered at 50p per unit and the minimum investment is £300. The annual charge will be ½ per cent plus VAT and the spread between bid and offer prices will be kept to a maximum 5 per cent of the offer price including 2 per cent stamp duty. The investment manager is Mr. W. R. Stuttaford, chairman, of Framlington.

New Darien near 100% oversubscribed

The public offer of 5m shares of New Darien Oil Trust at 100p attracted more than 8,000 applications for 9.7m shares. Applications for 100 shares have been allotted in full; applications for 200 have been allotted 150 and applications for 300 or more have been allotted about half the amount applied for.

A further 5m shares in the new trust, which is to invest *mainly in smaller* quoted U.S. oil and gas exploration and production companies, were placed with Phillips and Drew clients before the public offering.

Dealings will start next Monday.

Efforts to stave off Norvic receivership

IN AN attempt to avoid Norvic Securities, a leading High Street shoe company, from being forced to call in receivers Mr. John *Garrett, Labour MP for Norwich* South, will meet the company's bankers today.

Mr. Garrett said yesterday that he decided on Monday night to try to get Barclays Bank to change its mind and provide Norvic with extra temporary finance of £750,000 to cover stock for the pre-Easter period. Norvic's bankers had given it until the end of this week to indicate how it could raise the £750,000 cash shortfall.

Mr. Garrett said he intended to stress that Norvic was only looking for a cash injection of just under £700 per job and that this compared extremely favourably with an estimated cost of between £3,000 and £5,000 per dismissed employee. Last year Norvic reduced its workforce from nearly 2,000 to around 1,100.

Mr. Garrett added he intended to mount a civic campaign to try to buy some extra time for Norvic. He had enlisted the aid of some members of the City Council, unions and the other Norwich MP, Mr. David Ennals. He intended to push the matter as hard as possible, even to the point of requesting a meeting with Barclays chairman, Sir Anthony Tuke, he said yesterday.

For the year-end December 31, 1980 Norvic made a loss of £2.25m. At the interim stage the chairman, Mr. Charles *Metcalfe, indicated that losses* for the full year would be in the region of £1.8m.

Mr. Metcalfe yesterday clarified his press statement of February 2. He stated that "the first paragraph in my press announcement yesterday was ambigous, and it could be read that the loss of £2.25m related to the second half year. In actual fact this was the loss for the *whole year."*

Progress at McKay Securities

TAXABLE profits of McKay *Securities* improved from £460,000 to £535,000 in the half-year to end-September, 1980, and the interim dividend is effectively increased from 1.01p to 1.35p net—last year a total equal to 2.3625p was paid from pre-tax profits of £958,942.

Gross rents and service charges receivable rose in the half year from £1.08m to £1.23m.

McKay Securities is a London-based property investment and *development company.*

Home Brewery continues with major modernisation

THOUGH TRADING profit and other income of Home Brewery Company advanced £615,000 to £6.29m, the after-tax total for the year to September 30, 1980, *slipped from £2.13m* to £2.08m. The net figure was struck after property maintenance and alterations costs up from £1.31m to £2.24m.

Work, begun last year, on a major modernisation *programme, is to continue,* say the directors. The scheme is aimed at developing the company's facilities at Daybrook, Nottingham, and building new maltings to both improve efficiency and provide a foundation for expansion.

To date spending and budgeted costs for the main elements of the programme total £6.85m.

"A start has been made on these projects and we believe it timely that they should proceed, as not only are the resources available but work will be provided in these times of industrial depression," the directors state.

Contrary to the national trend, volume sales improved and in monetary terms were ahead £4.8m to £32.8m.

During the 12 months a major part of the £1.25m allotted for preliminary works at Daybrook was spent. These works included demolition of buildings and provision of new cask storage and vehicle maintenance facilities and a new covered parking area for heavy transport.

Also a start has been made on the second and third phases comprising packaging and warehouse blocks, at a budgeted cost of £5m.

The dividends per share of this close company have been stepped up from 5.5p to 6.5p.

LONDON TRADED OPTIONS

(Feb. 3 Total contracts 1293)

Option	Ex'rcise price	April Closing offer	April Vol.	July Closing offer	July Vol.	Oct. Closing offer	Oct. Vol.	Equity close
BP	360	62	10	—	—	—	—	412p
BP	390	40	—	60	1	70	—	"
BP	420	22	17	44	1	56	—	"
BP	460	10	4	26	2	—	—	"
Com. Union	140	16	8	17	—	21	—	155p
Com. Union	160	6½	9	8	2	10	—	"
Com. Union	180	1	—	4	20	—	—	"
Cons. Gold	460	32	6	45	21	60	—	448p
Cons. Gold	488	20	1	—	—	—	—	"
Cons. Gold	500	—	—	25	—	43	1	"
Cons. Gold	550	—	—	13	1	22	26	"
Courtaulds	50	7½	—	10½	—	12½	2	54p
Courtaulds	60	2½	—	5½	1	8	—	"
GEC	560	88	20	120	—	137	—	"
GEC	600	55	35	80	—	102	—	"
GEC	650	26	30	52	2	70	1	"
Grand Met.	140	27	2	33	—	38	—	166p
Grand Met.	160	10	15	18	—	23	—	"
ICI	280	29	5	44	1	58	—	294p
ICI	300	15	8	32	1	40	—	"
ICI	330	8	6	18	5	—	—	"
ICI	360	2½	—	7½	20	—	—	"
Land Sec.	360	39	30	50	—	61	—	385p
Land Sec.	420	8	—	17	2	—	—	"
Marks & Sp.	120	8½	82	15½	—	19	1	122p
Shell	420	25	20	40	—	50	—	426p
Totals			308		78		31	
		February		May		August		
Barclays B'k	390	12	—	27	—	42	1	388p
Imperial Gp.	70	11	—	11	3	13½	—	79p
Imperial Gp.	80	3	20	4½	—	6	—	"
Lasmo	650	30	5	72	—	97	5	669p
Lasmo	700	9	—	47	10	72	—	"
Lasmo	750	3	—	28	10	58	—	"
Lasmo	800	2	—	17	6	37	—	"
Lonrho	90	—	—	19½	15	24	5	104p
Lonrho	94	11	59	—	—	—	—	"
Lonrho	100	—	—	11½	50	17	12	"
Lonrho	104	4½	75	—	—	—	—	"
Lonrho	110	—	—	7	62	10	17	"
Lonrho	114	¾	67	—	—	—	—	"
Lonrho	120	1	—	3	135	5	138	"
Racal Elec.	300	35	80	55	1	68	—	335p
Racal Elec.	330	15	40	36	15	60	—	"
Racal Elec.	360	5	—	22	20	34	—	"
Racal Elec.	390	½	—	10	10	23	3	"
RTZ	420	—	—	—	—	28	1	376p
RTZ	500	—	—	—	—	6	10	"
Totals			349		335		192	

SPAIN

February 3	Price %	+ or −
Banco Bilbao	274	
Banco Central	320	+4
Banco Exterior	252	−10
Banco Hispano	262	+12
Banco Ind. Cat.	122	
Banco Madrid	141	
Banco Santander	325	+3
Banco Urquijo	165	+5
Banco Vizcaya	297	+6
Banco Zaragoza	218	
Dragados	112	+3
Espanola Zinc	47	
Fecsa	58	+0.3
Gal Preciados	31	+2
Hidrola	65.2	+0.2
Iberduero	58.2	+2.2
Petroleos	82.5	−0.5
Petroliber	75	
Sogefisa	102	
Telefonica	61.2	+0.2
Union Elect.	63.5	+0.3

BIDS AND DEALS

Further losses for Evered

MANAGEMENT accounts of Evered, the West Midlands engineering company, indicate that further losses were incurred in the latter half of 1980 and that uncertain economic conditions make a prediction for the full year impossible.

In the light of continued adverse trading conditions, the Board is unable to recommend payment of an ordinary dividend in respect of 1980 and is also unable to predict whether an ordinary dividend will be paid in respect of the current year.

Details of Evered's trading prospects are included in the offer document to its shareholders from Francis Industries.

When Francis Industries first announced in December 1980 it was proposing to bid for Evered, the offer was conditional on the auditors of Francis Industries being satisfied that the share capital and reserves of Evered at December 31, 1980, were in excess of £2.2m.

In the event, the audit for the year has not been completed and this condition has been waived.

Francis Industries states "it is expected that some changes in structure (of Evered) will become necessary."

Crucial to the success of the bid is acceptance by a group of Saudi Arabian investors who jointly own 29.95 per cent of Evered's ordinary shares, a small percentage of which were purchased last week at a price of 25p, three pence above the offer price.

Mr. P. M. Tapscott added that he very much doubted whether the bid would go unconditional if a sizeable portion of the ordinary shareholders refused to accept the offer of 22p.

At the same time, Francis Industries announced plans to acquire a 49 per cent shareholding in a private West German company for a consideration that is likely to be £700,000. The unnamed company manufactures plastic, electrical and electronic components for the domestic appliance industry. The funds will come from Francis Industries' own resources.

Starwest gives bid assurances

Starwest Investment has clarified its assurances of safeguarding pension arrangements of employees of R. and W. Hawthorn Leslie.

In a new circular promoting its contested 130p-a-share bid for all the shares of Hawthorn Leslie, Starwest confirmed that *its* assurances covered *ex-gratia* pensions as well as those which were legally binding.

Hawthorn Leslie raised this point in its circular last week rejecting the bid but Mr. Keith Chapman, managing director of Hawthorn Leslie, said yesterday he was pleased to hear the new assurance.

Hawthorn Leslie also claimed that Starwest's heavy borrowings —£4m against net tangible assets of £3m on March 31—could prejudice the future growth of its business. Starwest has replied that prior to its expansion programme, the company's base was in property development and it borrowed against property assets. The trading activities did not have external borrowings other than bank facilities for normal trading requirements.

The Starwest document said four Hawthorn Leslie directors sold shares in the company last year but also complained that the current market price of 137p was above the offer price because directors have been buying shares.

The offer expires next Monday. Starwest already holds 41.5 per cent of Hawthorn Leslie shares.

Mitchell Cotts acquires Bruda for £2.4m cash

MITCHELL COTTS GROUP, the international engineering, transportation and trading company, has acquired Bruda International, the freight forwarder, for £2.4m in cash.

Mitchell Cotts is financing the acquisition by the issue 5,539,719 new ordinary shares, which represents 10.32 per cent of its existing capital. The shares have been placed by Samuel Montague in conjunction with Cazenove.

Depending on the profit performance of Bruda International over the next three years, Mitchell Cotts may be liable to pay an additional cash consideration.

This additional consideration will amount to one-half the excess of Bruda's pre-tax profit over £725,000 for the year-end June 30, 1981 and over £900,000 for the following two years.

Bruda made a pre-tax profit of £645,000 for the year-end July 30, 1980 and has net tangible assets of about £1.8m.

JAMES SCOTT

The listing of the 6¼ per cent second preference stock of James Scott Engineering has been cancelled as over 90 per cent has been acquired by William Press and Sons.

BRENT CHEMICALS

The extraordinary general meeting of Brent Chemicals International has approved the acquisition of the chemical-systems division of Stauffer Chemical.

Mr. S. C. Cuthbert, managing director of Brent, said the acquisition marked a major positive step in the development of Brent although it would take time to realise the full potential.

The group results for 1980 would be announced towards the end of March but preliminary indications were that the profit before tax would be slightly below that for the previous year.

The board was confident that the enlarged group had excellent long-term growth prospects.

GLASGOW PICTURE OFFER LAPSES

The offer by Glasgow Photo Playhouse for Glasgow Picture House cannot be declared unconditional and therefore lapses. Acceptances have been received from holders of 1,279 shares.

UNIGATE

Bowyers, a subsidiary of Unigate, has acquired Turners Turkeys of Spalding, Lincolnshire.

Avana complies with offer technicality

AVANA GROUP, which is to make a £17.7m all equity offer for Robertson Foods complied yesterday with what it described as a technical formality as it announced that it may decide to sell some or all of its 6 per cent holding in Robertson.

The ruling has been given by the Panel on Takeovers and Mergers which now requires that 24 hours notice be given by an offeror in the rare event that it may contemplate the sale of shares in the offeree company.

This requirement is to be incorporated in a series of small amendments to the City Code on Takeovers and Mergers and its accompanying Practice Notes which will be published at the end of this month.

The possibility that Avana will dispose of some Robertson shares does not, however, change its intention to bid for the "Golly" jams and marmalade manufacturer. The offer documents are said to be "virtually complete" and are expected to be posted early next week.

Robertson is resisting the approach and has advised its shareholders to take no action before its defence document has been published. Avana shares rose 2p yesterday to 202p and Robertson added 4p to 152p. Stockbrokers Grenfell and Colegrave sold 8,000 Robertson shares at this price yesterday on behalf of discretionary clients.

FERGUSON AND GOSFORTH

Ferguson Industrial Holdings now holds 89.7 per cent of the capital of Gosforth Industrial Holdings and has declared its offers for both classes of Gosforth shares unconditional. They remain open for acceptances.

There were acceptances in respect of 13,882,061 shares of the recommended offers: Ferguson held 450,000 prior to the offer and has since acquired a further 2.1m.

At separate EGMs, Ferguson shareholders approved the acquisition and an increase in the company's capital, and Gosforth shareholders approved a reorganisation of their company's capital.

DUNDONIAN

Dundonian states that 465,000 of its shares have been placed with institutions through the market. This reduces the holding of Burma Mines from 965,000 to 500,000 shares (4.5 per cent).

HANSON TRUST

McDonough Company is now a wholly owned Hanson Trust subsidiary following approval of the £74m deal by McDonough shareholders.

The purchase price is made up of £10.2m payable by Hanson and £63.6m by U.S. bank borrowings secured on McDonough's assets without recourse to Hanson.

McDonough is a major U.S. company with interests in building materials, including Portland cement and ready-mix concrete; manufacture and marketing of footwear through a network of 708 shops; and hand tools for garden and industrial use.

AUSTIN REED

Austin Reed Group has acquired Swann's of Gold Street, Northampton, a clothing retail business. The consideration, payable in cash, does not exceed 1 per cent of the net asset value of Austin Reed.

SHARE STAKES

Kean and Scott — Newsan Investments has an interest in 231,500 ordinary shares (6.12 per cent).

Bremar Trust—G. M. Simmonds, director, has acquired 222,500 shares at 30p, making holding 445,000 (9.27 per cent).

A. F. Bulgin and Co.—R. A. Bulgin, director, has sold 55,000 shares.

MINING NEWS

UC Investments has record year

BY KENNETH MARSTON, MINING EDITOR

THE HALF-TIME indication of a strong earnings performance by South Africa's UC Investments, the General Mining Union Corporation group gold and platinum mining investment company is fully borne out by the full year's results.

Best expectations are matched with a final dividend of 105 cents (58.6p) which makes a total for 1980 of 150 cents compared with only 60 cents for the previous year.

Net profits for 1980 have advanced to a record R37.6m (£20.9m), or 192.7 cents per share, from R16.6m in the previous year. The latest results include a non-recurring additional income from investments of R1.68m which arises from the new policy of regarding dividend income as that accruing on the last day for registration as opposed to the previous practice of including that receivable within the UCI accounting period.

At the end of 1980 the UCI investment portfolio had a market value of R383m, compared with R257m a year previously, and the net asset value equalled 1,969 cents (£11) per share. The shares were then 535p and have since fallen with the general market trend to 385p.

Last year was, of course, a record one for gold and platinum dividends. But now that prices of the metals have come back sharply UCI could be heading for leaner times. However, the current dividend yield of 22 per cent discounts much of the uncertainty ahead.

GFSA does well but is cautious

REFLECTING last year's boom in gold mining earnings and dividends, results for the six months to December 31 of the Consolidated Gold Fields group's Gold Fields of South Africa show doubled net profits of R87.1m (£48.6m).

This compares with R43.3m in the same period of 1979 and the total for th eyar to last June of R125.4m.

For tax reasons GFSA has declared the interim for the current year to June 30 in two parts. The first payment, of 55 cents, was declared in November and the second instalment now declared is of 125 cents (70p).

The total interim of 180 cents thus compares with the single interim of 130 cents for 1979-80.

It is notable that the latest interim payments represent about one-third of the half-year's earnings of 533 cents per share whereas the previous year's interim of *130 cents and final of 400 cents* accounted for half the available earnings.

Presumably, the group is taking a cautious line in view of the fall in bullion prices. The shares were £24 yesterday compared with last year's high of £46⅞.

Metallgesellschaft pays for Teck-Afton deal

THE PROPOSED merger between Canada's Teck Corporation natural resources group and its 73 per cent-owned Afton Mines copper-gold producer is, in effect, a means of allowing West Germany's Metallgesellschaft group to acquire the other 27 per cent of Afton which is now in public hands.

Teck is offering either C$55 *(£19.60) cash,* or one C$55 convertible preferred Teck share, for each Afton share. But Metallgesellschaft will provide the cash to be paid to Afton shareholders and will pay Teck an amount equal to the value of Teck preferred shares issued to Afton shareholders.

In *return,* Metallgesellschaft will receive the 27 per cent of Afton stock being bid for while Teck will remain with its original holding of 73 per cent. Thus the arrangement amounts to a bid for the outstanding 27 per cent of Afton being made by Teck on behalf of Metallgesellschaft.

Metallgesellschaft holds some 19 per cent of Teck. The two companies are also linked in the C$150m Highmont copper-molybdenum mine in the Highland Valley area of British Columbia, which has just started production, and in other joint ventures.

ROUND-UP

Because of lower sales and technical problems—now largely resolved—the Consolidated Gold Fields group's Australian mineral sand producer Associated Minerals Consolidated has made a half-year loss of A$1.4m *(£686,000) compared with* a profit of A$432,000 a year ago. No interim dividend is being declared.

Product prices improved during the half year and demand for zircon continues to strengthen, but the rutile market became weaker.

Charterhall expands in U.S.

Charterhall, the UK-based oil and minerals group is expanding its oil and gas interests in North America by entering a joint venture agreement with Century Oil and Gas Corporation, a Denver-based oil company.

Through its wholly-owned U.S. subsdiary, Charterhall America, Charterhall will acquire and explore oil and gas leases in the Williston Basin of Montana, North Dakota and South Dakota, and will contribute a minimum of U.S.$3.125m for land purchases over the maximum period of three years to earn a 50 per cent interest in the venture.

Approximately 5,000 acres of oil and gas leases have already been acquired, encompassing eight prospects, and geological and geophysical studies are now proceeding on the properties with initial drilling operations expected to commence by July 1981, according to Mr. Derek Williams, chairman of Charterhall.

Century will be operator of the venture in both the land acquisition and drilling phases.

EUROPEAN OPTIONS EXCHANGE

Series		Vol.	Last	Vol.	Last	Vol.	Last	Stock
		Mar.		June		Sept.		
GM C	$45	15	1½	—	—	—	—	$45⅛
GM C	$50	—	—	9	2	—	—	"
		April		July		Oct.		
ABN C	F.280	6	3.50	16	6	—	—	F.259.50
ABN C	F.300	4	1	3	1.80	—	—	"
AKZO C	F.15	—	—	10	2.60	—	—	F.15.70
AKZO C	F.17.50	70	0.50	42	1.10	6	1.60	"
AKZO P	F.17.50	—	—	10	2.20B	—	—	"
AMRO C	F.55	3	2A	5	3	—	—	F.54.50
AMRO C	F.60	—	—	—	—	10	2	"
AMRO C	F.65	—	—	6	0.90	—	—	"
KODA C	$70	—	—	1	6½	—	—	$68⅞
HEIN C	F.50	38	6.70	—	—	—	—	F.55
HEIN C	F.55	27	2.70	—	—	—	—	"
HEIN C	F.60	7	0.80	—	—	—	—	"
HEIN P	F.55	1	1.70	—	—	—	—	"
HOOG C	F.15	20	1.10	—	—	—	—	F.14.80
IBM C	$65	21	2½	—	—	—	—	"
IBM C	$70	26	1¼	2	3½	3	4¾	"
IBM P	$65	2	3¼	—	—	—	—	"
IBM P	$70	21	7⅜	—	—	—	—	"
KLM C	F.55	2	8.80	—	—	—	—	F.62.50
KLM C	F.60	2	4	—	—	—	—	"
KLM C	F.65	12	2B	—	—	—	—	"
KLM C	F.70	42	1	—	—	—	—	"
KLM P	F.65	7	4	—	—	—	—	"
KLM P	F.70	—	—	7	9.50	—	—	"
NATN C	F.120	29	5.50	—	—	—	—	F.122.40
NATN C	F.125	26	2.30	5	4	—	—	"
NATN P	F.120	1	1	—	—	—	—	"
NATN P	F.125	2	2.70	—	—	—	—	"
PETR C	Fr.5500	—	—	—	—	5	200	Fr.4990
PHIL C	F.15	7	2.60	17	2.80	—	—	F.17.10
PHIL C	F.17.50	211	0.90	265	1.20	68	1.60	"
PHIL C	F.20	160	0.20	180	0.60	—	—	"
PHIL P	F.17.50	—	—	2	1.40	—	—	"
OLIE C	F.190	20	20.50	10	27	—	—	F.206.60
OLIE C	F.200	125	15.50	—	—	10	22	"
OLIE C	F.220	236	4.30	71	7.90	2	11.50B	"
OLIE C	F.240	313	1.20	54	3.70B	—	—	"
OLIE P	F.180	20	0.80	—	—	—	—	"
OLIE P	F.190	97	2.20	10	5	—	—	"
OLIE P	F.200	85	5.80	30	10.70	—	—	"
OLIE P	F.220	5	18.50	—	—	—	—	"
UNIL C	F.120	27	13.20	2	14	—	—	F.130.60
UNIL C	F.125	10	8.70A	—	—	—	—	"
UNIL C	F.130	30	4	—	—	—	—	"
UNIL P	F.120	—	—	14	1.30	—	—	"
UNIL P	F.125	1	1.80	—	—	—	—	"
UNIL P	F.130	3	3	—	—	—	—	"
		Feb.		May		Aug.		
BOEI C	$40	—	—	10	2½	6	4½	—
BOEI C	$45	—	—	10	⅞	—	—	"
BOEI P	$35	—	—	1	1¼	—	—	"
BOEI P	$40	20	1⅞	10	3¾	—	—	"
BASF C	DM.120	—	—	1	5	—	—	DM118.70
BASF C	DM.130	—	—	—	—	1	2.50	"
MANN C	DM.140	—	—	—	—	5	1	DM125.80
OCCI C	$30	30	⅞	—	—	—	—	$30
SIEM C	DM.280	—	—	10	1	—	—	DM258
SLUM C	$100	20	6	—	—	—	—	$102½
SLUM C	$110	1	1¼	2	7¼	—	—	"
SLUM C	$120	—	—	35	5½	1	7	"
SLUM C	$130	—	—	4	2	3	4½	"

TOTAL VOLUME IN CONTRACTS 2757

A=Asked B=Bid C=Call P=Put

Marley seeks more acquisitions

REMAINING COMMITTED to its stated intention to grow significantly by acquisition Marley continues to seek suitable opportunities in the UK and overseas.

In particular the building products manufacturer has established an office in New York to aid its search in North America, Mr. O. A. Aisher, the chairman, reports in his annual statement.

As reported December 18, setbacks at two of Marley's UK subsidiaries and one in the U.S. depressed group taxable profit for the year to October 31, 1980 from £22.07m to £15.03m on sales of £339m (£293m). The net dividend was, however, stepped up to 2.25p (2p).

Even so the directors are confident that the investments made, and to be made, will show a continued increase in earnings and dividends. Future capital spending commitments at year end amounted to £28.65m (£14.06m) of which contracts placed totalled £8.1m (£3.93m).

On a current cost basis the decline in profit was from £14.74m to £5.73m after adjustments totalling £11.95m (£8.7m) for cost of sales, monetary working capital and depreciation, less £3.77m (£1.96m) for gearing.

Borrowings at October 31, were up from £51.24m to £78.66m and ordinary shareholders' funds stood at £146.6m (£115.39m).

Meeting, Sevenoaks, March 4, at noon.

OFT looking at Lonrho bid

THE Office of Fair Trading has begun its investigations into Lonrho's 150p cash bid for House of Fraser, the Harrods stores group.

The investigations could take another five weeks. Once completed OFT will recommend to the Department of Trade whether the bid should be examined by the Monopolies and Mergers Commission.

When Lonrho increased its stake in House of Fraser to 29 per cent through the acquisition of Scottish and Universal Investments, the merger situation between Lonrho and House of Fraser was investigated by the Commission.

The Commission then concluded that it might be expected not to operate against the public interest.

Defence tactics were being studied yesterday by the House of Fraser and its advisers to the Lonrho bid which has been described as "totally unacceptable" by the Fraser Board.

A revaluation of assets is near completion. A statement may be made by the Fraser Board ahead of Lonrho's extraordinary general meeting called for March 4 to approve the offer.

Institutional shareholders in House of Fraser have so far described the Lonrho offer as "derisory" particularly since they are expecting the asset revaluation to show assets per *share of up to 300p.*

Wm. Sommerville falls into red in first half

Erosion of margins and lack of demand have left William Sommerville and Sons, papermaker, with a pre-tax loss of £43,000 for the six months to November 30, 1980, compared with a profit in the corresponding period last year of £171,000.

It is impossible to predict the full year's results, say the directors, and although the interim dividend is being held at 0.55p net, they think it unlikely that last year's final of 3.95p will be repeated. Profits in the last full year were £309,558.

Turnover in the first half fell from £1.95m to £1.79m. After a tax credit of £22,000 (£89,000 charge), the attributable loss came through at £16,000 (£82,000 profit). The figures exclude the results of the paper merchanting subsidiary, which was sold on July 17, 1980.

The directors say the full effects of the collapse of UK book production, from which the group had been cushioned by some fortuitous export business, were felt in the autumn.

Profit for General Motors in final period

By Our New York Staff

GENERAL MOTORS, the biggest U.S. car manufacturer, reported slightly better than expected results for the final quarter of last year. The company also sounded an optimistic note about prospects for the current year.

Although Wall Street had been predicting a loss or, at best flat earnings, GM reported a profit of $62m—the first time it has been in the black since the first quarter of last year.

Combined with the loss-making second and third quarters, the final outcome for the year was a loss of $763m.

This compares with profits of $2.9bn the year before and means that 1980 was the first time that GM had ended in the red since 1921.

GM's total sales for the year were $57.7bn, about 13 per cent below 1979. Vehicle sales were 7.1m units compared with 8.9m in 1979 and 1978's record 9.5m.

The company blamed the dip in sales and earnings on high U.S. interest rates and the sluggish car markets both in the U.S. and in Europe.

It also blamed inflation, and the shift towards smaller more *fuel efficient cars which enabled* the Japanese to increase their sales substantially.

GM drew considerable comfort from its improved performance *in* the final quarter, which, it believed, reflected increased consumer demand for its products.

Cannon Mills turns down Geneen offer

By Our New York Staff

MR. HAROLD GENEEN, the former chairman of International Telephone and Telegraph, has received a surprise rebuff *in his attempt* to buy Cannon Mills, the largest maker of pillowcases and towels in the U.S.

The North Carolina-based textile company's board of directors announced that after careful review with its legal and financial advisers, it had decided not to proceed with talks on the takeover.

No reason was given, but the announcement was unexpected since it had appeared that top officials at Cannon were receptive to the Geneen offer.

Mr. Geneen, who retired from ITT a year ago and has turned to private investment, had put together a group of individuals to offer $376m for Cannon Mills, which was more than a third over market value. The group was never fully identified.

The Geneen group is now expected to seek other investment opportunities.

TEXTRON

Our report on January 29 of Textron's plans to withdraw fro mseveral loss-making industrial sectors appeared in some editions under a headline suggesting that the company planned to close down some of these operations. We wish to make clear that Textron intends to keep all three divisions working until buyers for them are found.

Dow Chemical ends year with surge in earnings

BY DAVID LASCELLES IN NEW YORK

DEPRESSED MARKET conditions put pressure on chemical groups last year. Dow Chemical, the second largest U.S. company in the industry, reported that profits for 1980 were up by only 2.5 per cent, from $783.9m or $4.33 a share to $804.5m or $4.42 a share. But this included a stronger fourth quarter where profits were up 25 per cent, from $194.3m or $1.08 a share to $242.3m or $1.33 a share.

Dow's sales for the year were $10.63bn, up from $9.26bn in 1979. Sales in the final quarter were $2.77bn, compared with $2.45bn for the same period of the previous year.

The upturn in the final quarter was described as encouraging by Mr. Paul Orrefice, the president, who noted that U.S. sales showed a hefty real increase. Sales in Latin America were also up. Business in Europe held up better than expected, but there was weakness in the Far East, particularly Korea.

Mr. Orrefice *revealed* that much of the strength had come from Dow's energy servicing activities which contributed almost 20 per cent of the net profit in the final quarter.

American Cyanamid, a widely diversified chemicals producers which includes Formica among its products, ended slightly down on the year, though it *too, had a better fourth quarter.*

Net profit in 1980 was $159.2m or $3.32 a share, down from $168.5m or $3.52 a share in 1979. Sales were up slightly from *$3.2bn to $3.5bn.*

But fourth quarter profits rose 6.5 per cent from $45.5m or 95 cents a share to $48.4m or $1.01 a share. Sales increased from $857m to $917.7m.

One reason for the 1980 profits decline was a charge of about 17 cents a share for plant consolidations and shutdowns in *the specialty chemicals business.* Although agricultural, medical and consumer products did quite well over the year, Cyanamid was badly hit by the slump in housing construction which affected related products such as Formica.

Tough going for Avon Products

BY OUR FINANCIAL STAFF

AVON PRODUCTS, the world's largest manufacturer of cosmetics, perfumes and costume jewellery, struggled in the final quarter of last year, but the Board is cautious about the outlook for this year. It comments that "ncertain economic conditions" in Europe may pose a challenge during 1981.

For the whole of 1980 Avon, famed for its door-to-door sales techniques, turned in net earnings of $241.3m or $4.1 a share, 3.7 per ecnt down on the previous year, on sales 8 per cent higher at $2.56bn. But 1980 net profit was reduced by 10 cents a share by the adoption of Lifo accounting. Foreign currency losses took a further 37 cents of earnings, compared with 21 cents in the previous year.

For the current year, the *Board is putting its faith in a* "continuing strong growth overseas" but is "cautious" about the U.S. outlook. Last year, overseas sales totalled $1.23bn against $1.33bn in the U.S.

Last year's final quarter showed net earnings 3.3 per cent up at $107.5m or $1.79 a share on sales 8 per cent higher at $867.4m. Lifo adoption cut earnings by 4 cents.

Avon said that in the fourth quarter, U.S. sales to representatives rose by 1 per cent from a year earlier "a marked improvement over the previous two quarters."

For the full year, U.S. net sales of cosmetics, fragrances and fashion jewellery slipped by 2 per cent to $1.17bn from $1.2bn in 1979, as a "slight" increase in the number of U.S. Avon representatives was more than offset by a decline in the average size of their orders.

International representatives and their average orders also increased, as overseas sales were up substantially in all major geographic regions.

Fourth quarter sales growth overseas was 14 per cent compared with 18 per cent for the full year. "This trend was anticipated in light of the recessionary conditions that prevailed in Europe."

Gains for Signal reverse trend

BY OUR FINANCIAL STAFF

SIGNAL COMPANIES, the U.S. industrial group, reversed the trend of falling profits in its final quarter to post an increase in net operating earnings from $45.1m to $47.5m.

Because of the declines registered in the opening three quarters of the year, profits for the 12 months were down from $194.1m to $152.4m. The final quarter per share contribution *of 82 cents against 78 cents took* the annual total to $2.63 against $3.35 a share in 1979.

Sales also broke out of the downtrend in the last quarter, *showing a rise from $1.09bn to* $1.17bn for an annual total slightly ahead from $4.24bn to $4.29bn.

Signal was dogged throughout 1980 by the poor performance of its Mack Truck subsidiary, which after nine months was $11.5m in the red compared with a $53.7m profit in the same corresponding period of 1979, as a result of the precipitous drop in heavy duty truck sales in the U.S.

However, its Garrett Corporation aero-engine and aerospace components subsidary recorded sharp gains in profits during the year, as did its UOP oil *services activities.*

The annual profit figures exclude a 26 cents a share gain, compared with 17 cents in 1979, *from discontinued operations.* The company said in October that the $6m to $9m cost of closing its Hayward, California, truck plant would be substantially reduced by the gain on the sale of a Garrett industrial engine product line.

For the current year the company is expected to benefit from an upturn in the heavy duty truck market and results will also reflect the merger with Ampex Corporation, an audio and video systems and computer memory group which earned *$24m in the year to May 3, 1980,* on sales of $460m.

Standard Brands ahead

BY OUR FINANCIAL STAFF

STANDARD BRANDS, a leading packaged consumer foods *and food ingredients group,* has reported record earnings for 1980 after a 25 per cent increase in final-quarter profits.

The company, which said it feels the trend in profits will continue, achieved net profits of $32.6m, or $1.14 a share, in its final quarter compared with $26m, or 92 cents a share, in 1979. Sales for the quarter advanced by 14 per cent from $760m to $867m, with the jump in profits reflecting an improvement in margins.

The increase in annual profits was a little under 21 per cent, *from $86.4m to $104.4m,* or from $3.04 a share to $3.65, while the rise in sales was slightly under 16 per cent, from $2.61bn to $3.02bn.

The company derives the bulk of sales and profits from its consumer foods activities although the food ingredients side has more recently been a greater contributor as the Clinton Corn subsidiaries corn sweeteners have been able to win higher prices in the wake of increased world sugar prices.

Harvester debt ratings cut

By Our Financial Staff

MOODY'S INVESTORS Service announced that it has lowered to BA from AA its ratings on senior debt and industrial development bonds of International Harvestor, the truck and farm equipment *manufacturer,* and its subsidiaries International Harvester Credit Corporation and International Harvester Finance N.V.

Moody's said that high interest rates continue to depress IH's sales in most markets and to increase the heavy interest burden of rate-sensitive debt.

Boeing and Lockheed ahead in quarter

By Paul Betts in New York

BOEING COMPANY and Lockheed Corporation, two leading aerospace groups, have reported divergent annual profit trends for 1980, although both posted gains for *the final quarter of the year.*

Boeing, the largest commercial aircraft group in the world, reported net profits ahead from $144.6m, or $1.50 a share to $165.7m, or $1.72 a share, for the quarter on sales up from $2.32bn to $2.65bn. For the year its profits were up from $505.4m to $600.3m, or from $5.25 a share to $6.23.

Lockheed, meanwhile, which has been troubled by its L-1011 airliner project, showed a gain from $13.7m, or 85 cents a share, for the final quarter of 1979 to $25.8m, or $1.68 a share. *Last year* a tax credit of $20m boosted net earnings to $33.7m.

Sales for the quarter of $1.54bn against $1.04bn took the annual total from $4.06bn *to* $5.4bn. Net profits for the year were $27.6m, or $1.53 a share, down from the $36.5m, or $2.16, of the previous year, excluding the $20m tax credit.

Mr. Roy Anderson, Lockheed's chairman, said the outlook for the company's L-1011 programme was now more encouraging.

Last year the company's L-1011 programme incurred losses of $199m compared with $188m in 1979. Mr. Anderson also said the company made $70m of write-offs for excess production costs from the programme in the second quarter of 1980.

Meanwhile, Boeing reported a slowdown in the rate of increase in its backlog of unfilled orders. At the end of last year they totalled $20bn compared with $18bn.

Boeing said there had been a reduction in orders for and deliveries of its 747 and 727 aircraft at a time when a substantial build-up of inventory was required to support its 757 and 767 programmes, and when the company *must* provide more customer financing. These were some of the reasons for the increase in its bank credit agreement from the existing $1.25bn.

Boeing said cash and short-term investments declined in 1980 to $1.62bn from $2.3bn while gross and net inventories rose to $5.03bn from $3.01bn.

Boeing has forecast sales of between $9.4bn to $9.5bn this year, with commercial aircraft deliveries at 268 against 299.

Steady gains at Conoco

By Our New York Staff

CONOCO, the large U.S. diversified energy company has increased fourth quarter and annual earnings and revenues

Fourth quarter earnings were $241m on revenues of $5.2bn, compared with profits of $191m on revenues of $3.8bn in the same period of 1979. Full-year earnings rose from $815m to $1bn.

Energy operations boost Tenneco to record level

BY PAUL BETTS IN NEW YORK

TENNECO, the large, diversified U.S. energy concern, has turned in record profits of $726m for last year, compared *with $517m in 1979,* reflecting the strong performance of the company's energy operations.

Tenneco also reported a 22 per cent gain in fourth-quarter profits to $200m from $164m in *the same period of 1979.*

Revenues rose to $13.2bn last year from $11.2bn. In the fourth quarter revenues increased from $3.3bn to $3.6bn.

The company said its energy operations accounted for 78 per cent of Tenneco's pre-tax, pre-interest operating income. But other major divisions, including shipbuilding, agriculture and land management and packaging showed increases in profitability.

Income from the company's insurance operations was also *higher because of the addition* to earnings from the Southwestern Life Corporation, which Tenneco bought last May.

But the company said the most dramatic improvement was reported by its Newport News shipbuilding operations which ended 1980 with a business backlog of $3.3bn.

Tenneco has stepped up its oil exploration and development programme and the company expects to spend more than $1.5bn on capital programmes for energy alone this year.

The company also said it expects earnings will increase by another 12 to 15 per cent this year.

Two D-Mark issues appproved

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

WEST GERMANY'S Capital Markets Sub-Committee tentatively approved two new issues for supranational borrowers at its meeting *in* Frankfurt yesterday.

But bankers said that the decision in no way means an end to the effective curb on new issuing activity which has been in force since last November.

The two loans, DM 120m for the European Coal and Steel Community through Dresdner Bank and DM 100m for the *Inter-American Development* Bank through Deutsche Bank, will only be brought to the market if conditions are favourable, they said.

Yesterday such a prospect looked unlikely as foreign bonds fell a further ½ point in response to the renewed weakness of the D-Mark on foreign exchange markets.

Bankers *said* that the subcommittee, an informal grouping of leading banks which meets regularly to set a new issue calendar, was not short of proposals for new issues by other foreign borrowers.

But the Bundesbank, which has observer status at the subcommittee meetings, continued to emphasise the need for capital exports to be held to a minimum because of Germany's high balance of payments deficit.

It is understood that the Bundesbank was willing to make an exception in the case of the two planned supranational issues, partly because it feels Germany has a moral *obligation* to keep its market open for institutions of which the country is a member.

Moreover, the tentative approval for the two issues also appears intended to demonstrate flexibility in capital export matters, and to counter suggestions that formal, rigid limitations on capital exports could be introduced.

If the two loans do go ahead, they will be the first Deutsch Mark foreign loans this year and will serve as an important test of investor sentiment. A crucial consideration for approving any further issues will be the degree to which these two loans are placed with investors abroad.

A heavy concentration of domestic subscriptions would be unwelcome as it would enhance the degree to which such loans do act as genuine export of capital from West Germany.

In the Swiss franc sector, the latest issue for Dome Petroleum fell to 98¼ per cent on its first day of secondary market trading in a continuation of what has become a familiar trend for new issues. The 5¼ per cent bonds had been priced at par.

Other foreign bonds were also weaker in *light* turnover as the dollar strengthened yet again on the foreign exchange market. Investors were unsettled by news that the coupon on the forthcoming Banque Francaise du Commerce Exterieur loan has been set at 6¼ per cent, compared with only 6 per cent on the preceding World Bank issue, while Monday's discount rate increase also served to dampen interest.

Prices of straight dollar Eurobonds dropped ½ points as the market remained cautious ahead of this week's large Treasury financing operation in the U.S. No new issues were reported yesterday but the latest SNFC 13 per cent bond launched on *Monday* fell to a *midpoint of* 98.

The issue price had been set at par and the bonds were thus trading below the selling group *concession of 1¼ points.*

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Thursday, February 12.

Closing prices on February 3

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amoco 13¾ 88	75	97⅛	97⅝	−0¼	−0⅛	13.85
CCCA 11½ 88	100	91⅝	92⅛	−0⅛	+0⅜	13.28
CNE 12⅞ 91	100	95⅛	95⅝	−0⅛	−0⅛	13.82
Citicorp O/S Fin. 10 86	300	87⅛	87⅝	−0½	+0⅛	13.35
Citicorp O/S Fin. 12 87	200	93⅛	93⅝	−0⅛	+0⅛	13.53
Con. Illinois O/S 9⅞ 86	150	85⅛	85⅞	−0½	+0⅛	13.63
Denmark 11¾ 90	100	89	89½	−0⅛	+0⅛	13.94
Dome Petroleum 13½ 92	50	97½	98	−0⅛	+0⅝	13.88
Dupont Canada 13½ 91	65	97⅞	98⅛	−0½	+0⅛	13.88
EEC 11 85 (May)	75	84	84½	−0⅛	−0⅛	13.52
EEC 11 85 (August)	70	82⅞	83⅛	−0⅛	−0⅛	13.73
EIB 13¾ 90	100	99⅝	100⅛	−0⅛	+0⅛	13.71
Eksportfinans 9½ 87	75	83⅞	84⅛	−0⅛	−0⅛	13.31
Elec. de France 10 88	125	84⅞	85⅛	−0⅛	+0⅛	13.27
Elec. de France 13 88	125	97⅞	98⅛	−0⅛	+0⅛	13.45
Export Dv. Cpn. 12⅞ 87	100	97	97½	−0⅛	+0⅛	13.38
Export Dv. Cpn. 9½ 86	150	85⅞	86⅛	−0⅛	+0⅛	13.52
Fin. Exp. Credit 10½ 85	50	88⅜	88⅞	−0⅛	0	14.08
Finland, Rep. of 9½ 86	100	83⅝	84⅛	−0⅛	+0⅛	14.12
Ford Credit O/S 14⅛ 83	150	95⅞	96⅜	−0⅛	−2⅛	16.37
Ford O/S Fin. 12⅞ 85	250	89⅛	89⅞	−0½	−1⅛	16.09
Gaz de France 13½ 86	80	99⅞	100⅛	−0½	+0⅛	13.45
GMAC O/S Fin. 12 87	100	91	91½	−0½	−0½	14.07
GMAC O/S Fin. 12⅞ 88	100	94⅛	94⅝	−0⅛	0	14.16
Gen. Mtrs. O/S 11¾ 87	100	91	91½	−0⅛	+0⅛	13.80
GTE Fin. 13¾ 88 (WW)	50	98⅝	99⅛	−0⅛	+0⅛	14.03
Hudson's Bay 11½ 90	75	87½	88	−0½	+0⅛	13.88
IBM Canada 10½ 85	50	96	96½	−0⅛	+0⅛	11.59
IBM Wld. Trade 12½ 88	200	97½	98	−0⅛	+0½	13.01
Newfoundland 13½ 90	60	96	96½	−0⅛	−0⅛	14.26
Nova Scotia 10⅜ 90	50	85	85½	−0⅛	−1⅛	13.58
OKB 10 85	50	89⅛	89⅞	−0⅛	+0½	13.18
Pemex 11½ 88	100	85⅛	85⅝	−0⅛	−0⅛	14.84
Quebec Hydro 11½ 92	100	86⅛	86⅝	−0⅛	+0½	14.02
Queb. Hy. 13 91 (WW)	100	95⅛	95⅝	+2⅛	+2⅛	13.86
Rovlease 11⅞ 85	50	92⅞	93⅛	−0⅛	+0⅛	13.46
SNCF 12⅞ 85	50	96⅞	97⅛	−0½	+0½	13.33
Sweden 12⅛ 85	150	95⅛	95⅝	−0⅛	+0½	13.70
Swed. Ex. Credit 12 83	50	94⅝	95⅛	−0⅛	0	14.37
Swed. Ex. Credit 13 86	75	95⅞	96⅛	−0⅛	+0½	14.20
Unilever NV 9¾ 90	100	81⅞	82⅛	−0⅛	0	13.16
World Bank 9⅞ 85	200	88	88½	−0½	−0⅛	13.43
World Bank 10⅛ 87	300	86⅞	87⅜	−0⅛	0	13.34

Average price changes .. On day −0⅛ on week 0

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 8⅜ 90	100	92	92⅜	0	−0⅞	9.60
Australia 8⅛ 90	250	96	96⅛	−0⅛	−0⅛	8.72
Austria, Rep. of 8⅛ 92	150	90⅞	91⅛	−0⅛	−1½	9.51
BFCE 8⅛ 95	100	†90⅛	91⅛	−1⅛	−1⅛	9.34
CECA 7⅞ 92	150	†90	90⅜	−0⅛	−1½	9.25
Cll-Honeywell 8⅜ 90	125	†92	93	−0⅞	−2⅞	9.60
Denmark 8⅛ 92	100	†93⅛	94⅛	−0⅛	−1⅛	9.10
EIB 8½ 90	200	95⅛	95⅞	−0½	−0⅛	9.21
ESCOM 9⅛ 87	100	96⅛	97½	−0½	−0⅛	9.92
Iberduero SA 9 90	100	†96	97	−1	−2	9.56
Ind. Bk. Finland 8½ 90	50	†92	93	−0½	−1⅛	9.71
Japan Air Lines 8⅛ 87	100	93⅛	93⅞	−1⅛	−2⅛	9.45
Japan Dev. Bk. 7⅞ 87	100	90½	91⅛	−0⅛	−1½	9.54
Kobe, City of 8 90	100	92½	93⅛	−0⅞	−0⅛	9.15
Midland Int. Fin. 8½ 90	180	94⅞	95	−0⅞	−1⅛	9.35
Norway 7½ 85	250	94⅛	95⅛	+0⅛	−1⅛	9.14
Nuclebras 9⅞ 88	100	†89½	90½	−0⅛	−1	11.78
OKB 8⅛ 92	150	†90⅛	91	−1	−1⅛	9.63
Oslo, City of 8⅞ 90	80	98½	99⅛	−0⅞	−0⅛	8.93
Venezuela, R. of 9⅛ 90	150	95⅞	96⅛	−0⅛	−0⅛	10.36
World Bank 8 90	700	90⅞	91⅛	0	−0⅛	9.42
World Bank 10 86	150	103⅞	104⅛	0	−0½	8.93
World Bank 10 90	200	104½	105½	−1	−1⅛	9.16

Average price changes... On day −0½ on week −1⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Austria, Rep. of 5½ 90	100	94½	94¾	−1½	−2½	6.12
Bayer Int. Fin. 5⅛ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bergen, City of 6 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Buhrm'n-Tetterode 7 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Copenhagen Tele. 5⅝ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark 7½ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 4½ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Elet. de France 5⅜ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Eurofima 5⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F G H Hypo. Bk. 6 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland, Rep. of 5⅝ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GZB 4⅝ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Int.-Am. Dev. 7 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan Dev. Bk. 5⅜ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jutland Tele. 5⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mt. Blanc Tunnel 5⅝ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Newag 5⅜ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Tel. & T. 4⅜ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norges Komm. 4⅜ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OKB 4⅝ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OKB 6 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oslo, City of 4⅝ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oslo, City of 6 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Philips Lamps 5⅝ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sekisui Pre. Hms. 6 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Shikoku El. Pwr. 6⅜ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Trade Dev. Fin. 5⅝ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Voest-Alpine 5⅝ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day −0⅛ on week −1⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 5⅞ 83	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Australia 6⅝ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 7⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland 5.6 83	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland 6.8 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland, Rep. 8⅜ 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day 0 on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 10⅞ 86 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CIBC 13⅝ 86 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CIBC 13 88 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Federal Dev. 11½ 90 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fst. Can. Inv. 13½ 85 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
R. Bk. Canada 10 85 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tordom Con. 13⅝ 85 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
M. Bk. Dnmk. 9 91 EUA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Issued	Bid	Offer	Change on day	Change on week	Yield
SOFTE 8⅛ 89 EUA	40	87⅝	88⅛	+0⅛	−0⅛	10.65
U. Bk. Nrwy. 9½ 90 EUA	15	98⅞	99⅛	+0½	+0⅛	9.60
Bk. Mees & H. 10 85 Fl	75	99⅞	100⅛	−0⅛	−1⅛	9.97
F. G. Hypo 9⅞ 87 Fl	60	93⅛	94⅛	0	0	11.05
Heineken NV 10 87 Fl	100	96⅛	97⅛	−0⅛	−0⅛	10.64
Nat. Inv. Bk. 10 87 Fl	75	97	97⅝	−0⅛	−0⅛	10.58
Nat. Neder. 9½ 87 Fl	60	94⅛	94⅞	−0⅛	−0⅛	10.66
Ned. Midd. Bk. 10 85 Fl	75	100	100½	−0⅛	−0⅛	9.90
Aero Paris 13⅛ 87 FFr	150	96	97	0	−0⅛	13.92
Charb'nages 13⅞ 85 FFr	400	99	100	0	−0⅛	13.99
CECA 14½ 86 FFr	150	99⅞	100⅛	0	0	14.11
EIB 14½ 86 FFr	300	99⅞	100⅛	0	−0⅛	14.17
Finland 11 84 FFr	80	91½	92½	0	+0⅛	14.09
Gaz de France 11 84 FFr	150	91⅞	92⅞	0	0	13.60
La Redoute 14⅛ 85 FFr	125	96⅞	97⅞	+0⅛	0	15.13
Renault 9⅛ 85 FFr	100	84½	86½	0	0	14.57
Utd. Mex. Sts. 14 85 FFr	150	98½	99½	0	−0⅛	14.26
Acena 14 85 £	20	94⅛	94⅞	+0½	−0⅛	15.66
Beneficial 14⅛ 90 £	20	94½	95	+0⅛	+0⅛	15.33
Beneficial 14⅞ 90 £	20	94⅞	94⅞	+0⅛	−0⅛	15.34
BNP 13½ 91 £	15	95⅞	96⅛	0	−0⅛	14.27
CECA 13½ 88 £	20	95⅛	96½	+0⅛	−0⅛	14.32
Citicorp O/S 13½ 90 £	50	95⅞	96⅛	+0⅛	+0⅛	14.32
Fin. for Ind. 14½ 88 £	20	100⅛	100⅞	0	0	14.37
Fin. for Ind. 13⅞ 87 £	20	97	97⅞	+0⅛	−0⅛	14.34
Gen. Elec. Co. 12½ 89 £	50	94⅛	95	+0⅛	+0⅛	13.62
Peugeot SA 14 90 £	23	94⅞	95⅜	+0⅛	−0⅛	14.97
Rothschild 14⅛ 90 £	12	98	98⅞	+0⅛	+0⅛	14.53
Swed. Ex. Cr. 15⅞ 85 £	20	102⅛	103⅛	+0⅛	+0⅛	14.20
Banobras 8⅛ 90 KD	7	†87⅛	87⅞	0	0	10.44
CCCE 8⅛ 91 KD	10	†82	82½	0	+0⅛	11.19
Sonatrach 8½ 90 KD	12	†88⅛	88⅞	0	0	10.89
Akzo 9⅛ 87 LuxFr	500	91½	92½	+0⅛	+0½	10.97
Euratom 9⅞ 88 LuxFr	500	96⅛	97⅛	+0⅛	+1	10.46
Eurofima 10½ 87 LuxFr	500	98½	99½	0	0	10.89
EIB 9⅛ 88 LuxFr	600	96⅛	97⅛	+0⅛	−0⅛	10.40
Volvo 9⅛ 87 LuxFr	500	93	94	0	+2⅛	11.14

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish Bank 5⅛ 87	0⅛	†98½	99	2/7	16⅛	16.84
Bank of Montreal 5½ 90	0⅛	99⅞	100½	18/6	19½	19.50
Bank of Tokyo 5⅛ 88	‡0⅛	99	99½	25/4	19.31	19.46
BBL Int. 5 86	0⅛	98	98½	20/5	16½	16.79
Bergen Bk. A/S 6 89	‡0⅛	†98⅛	98⅞	29/2	18.19	18.49
BNP 5½ 88	‡0⅛	99	99½	29/4	18.69	18.83
CNT 5⅞ 86	§0⅛	98⅛	98⅞	16/4	13⅛	13.43
Citicorp O/S F. 84	‡0	99	99½	29/2	17.66	17.70
C. Itoh 5⅛ 87	0⅛	98½	98⅞	18/3	12⅞	13.07
Co-operative Bk. 6 86	0⅛	97½	98	15/5	15⅛	15.80
Den Norske Credit 6 90	0½	†97⅞	98⅛	5/2	16⅛	16.07
Genfinance 5⅛ 87	0⅛	98	98½	30/4	15⅛	15.39
Giro und Bank 5⅞ 91	0⅛	98½	99	23/3	20⅞	20.76
GZB 5½ 89	‡0⅛	98⅞	99⅛	1/2	15.06	15.22
Jugobanka 8 89	0⅞	†91	93	23/5	16⅛	18.21
Ind. Bank Japan 5⅛ 87	0⅛	97⅞	98⅛	15/4	13.31	13.58
Ind. Bank Japan 5⅛ 88	0⅛	97⅞	97⅞	9/4	13⅛	13.46
Lloyds Eurofin 8 90 £	0⅛	95⅛	95⅞	3/7	14½	15.16
Lloyds Eurofin 5⅛ 92	0⅛	99	99½	4/6	17⅛	17.56
LTCB Japan 5⅞ 86	0⅛	100⅛	100⅞	13/6	20.19	20.06
Man. Hanov. O/S 5⅛ 94	‡0⅛	98	98½	29/2	18½	18.45
Midland Intl Fin. 5 89	0⅛	†100	100½	30/6	19.58	19.51
Midland Intl. Fin. 5⅛ 92	0⅛	98⅛	98⅞	5/8	17.19	17.45
Nacional Fin. 6⅛ 86	0⅛	99	99½	25/7	17⅝	17.88
Nat. West. 5⅛ 94	§0⅛	96½	96⅞	14/4	13⅛	13.71
Nat West 5⅛ 92	§0⅛	97	97½	23/4	13.69	14.08
Nippon Credit 5⅛ 87	‡0⅛	99⅛	99⅞	6/2	18.06	18.14
Sparebanken 6 87	0⅛	99⅛	99⅞	19/6	19⅛	20.05
Standard Chart. 5⅛ 90	0⅛	98½	99	6/3	12.06	12.22
Svenska Hndlsbk 5 87	0⅛	99½	100	15/7	17.91	17.85
Bq Er d'Alg 4⅛ 89 SF	0⅛	†90	91	18/6	7⅛	8.29

Average price changes. On day 0 on week +0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Bow Valley Inv. 8 95	4/81	23.12	103	104	−3⅛	19.15
Canon 8⅛ 95	1/81	829	110⅛	111⅛	−0⅛	3.69
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

U.S. energy groups are contemplating large borrowings. **Paul Betts** reports

Spending plans rekindle appetite for debt

AFTER a prolonged absence, many large U.S. energy companies are returning to the U.S. debt market as their future capital expenditure programmes grow at an increasingly faster rate than their earnings.

In the past few weeks several energy companies, including Conoco, Pennzoil, Tenneco, El Paso and Cities Services, have issued either bonds or notes. Bigger companies such as Exxon, Gulf Oil and Atlantic Richfield have indicated that their heavy capital spending programmes would require external financing.

Although the latest annual results of the major U.S. oil companies showed impressive earnings which by all accounts are expected to be sustained in the longer term, the fourth quarter of 1980 saw the general profit trend suggesting that profits were beginning to flatten. In the case of some companies, declines or increases in fourth quarter earnings were the result of special circumstances. But most companies reported a levelling in fourth quarter earnings because of declining downstream profits from refining and marketing caused by the general economic slowdown and sluggish demand for oil products, including petrol, in the U.S. market.

Despite the flattening out of earnings, most oil companies concurrently reported substantial increases in capital expenditure, mainly related to new exploration and capital intensive new energy projects in coal; synthetic fuels and other fields. Decontrol of domestic oil prices in the U.S. has stimulated greater exploration, while uncertainties over Middle East supplies have sent *oil companies scrambling to find* new oil and gas in deeper and more expensive zones. And, with the increases in oil and gas prices coupled with new U.S. Government incentives, oil companies have *increasingly* turned their attention to a variety of synthetic fuel projects which will have to be sustained by considerable capital before they can bring in a return.

Thus Exxon, the world's largest oil company, which reported 1980 earnings of $5.66bn, recently announced it was planning to spend as much as $11bn this year on capital investment and exploration. This is 35 per cent more than it spent in 1979 and more than 90 per cent of the total will go to new oil and gas, coal, synthetic fuels and other energy projects, with 45 per cent of the total being spent in the U.S. and about 27 per cent in Europe.

To sustain such an ambitious investment programme, Exxon has indicated that it plans a debt offering at some stage during the next few years. The last time Exxon went to the debt market was in 1977 when it raised funds to help finance the Alaskan oil pipeline.

But Exxon is not alone among the major companies in planning to return to the debt market. Capital expenditure programmes of the largest 25 *U.S. oil companies are expected* to total more than $60bn this year, compared with about $47bn in 1980. In the case of Atlantic Richfield, which had net profits of $1.65bn last year, Mr. Robert Anderson, the company's chairman, confirmed last week that the company had planned a $4.1bn capital budget this year to lead off a proposed $25bn five-year capital programme.

More than 70 per cent of this amount, the company said, would go towards exploration, development and delivery of domestic crude resources, including coal and alternate energy forms. And Mr. Anderson remarked: "Achieving this programme for this year and beyond, however, is highly dependent on strong future earnings and cash flow, *and the* availability of adequate outside financing support."

Gulf Oil, which is planning $4bn of capital expenditure this year compared with almost $3bn last year, has said this programme would require outside financing. The company intends to spend about 60 per cent of its capital budget in the U.S. *and another 20 per cent in* Canada. In a recent address to securities analysts, Mr. James Murdy, Gulf's vice-president of finance, said: "Because of the large capital programme we may be going to the capital markets for significant sums." But in view of the company's adequate short-term financial flexibility, Mr. Murdy said: "We do not expect to have to go to the long-term debt markets *until the terms in those markets* improve."

Most oil companies appear to be in a similar position. Because of the generally favourable earnings outlook, the oil companies can effectively choose their own timing to go to the debt market. Mr. Thomas Saunders, a managing director of Morgan Stanley, the New York investment firm, *said:* "None of them have to do anything this year, but if they want to be prudent, it makes sense to get into the market sooner than when their backs are to the wall."

He added that while the earnings prospects of oil companies continued to be bright, their capital outlays were going to be large as they went forward in the 1980s and 1990s.

"They have the situation very much in their control," he remarked. "They have a lot of flexibility on timing, and it seems to be a sign of good management that they are anticipating these needs and dealing with them at an early stage."

AMERICAN QUARTERLIES

CAPITAL CITIES COMMUNICATIONS	1980 $	1979 $
Fourth quarter		
Revenue	131.0m	115.1m
Net profits	19.99m	18.64m
Net per share	1.52	1.39
Year		
Revenue	472.1m	414.9m
Net profits	73.21m	63.76m
Net per share	5.56	4.68

CARLING O'KEEFE	1980-81 C$	1979-80 C$
Third quarter		
Revenue	140.3m	124.5m
Net profits	17.55m	16.41m
Net per share	0.26	0.21
Nine months		
Revenue	428.3m	378.9m
Net profits	17.55m	16.41m
Net per share	0.73	0.68

EMERSON ELECTRIC	1980-81 $	1979-80 $
First quarter		
Revenue	762.9m	62.2m
Net profits	63.9m	62.2m
Net per share	1.00	0.97

KAISER CEMENT	1980 $	1979 $
Fourth quarter		
Revenue	60.5m	67.8m
Net profits	6.49m	11.08m
Net per share	0.94	1.64
Year		
Revenue	233.7m	259.6m
Net profits	23.59m	37.02m
Net per share	3.46	5.54

MAYTAG	1980 $	1979 $
Fourth quarter		
Revenue	85.3m	100.8m
Net profits	8.8m	13.5m
Net per share	0.66	1.01
Year		
Revenue	349.2m	369.1m
Net profits	35.5m	45.3m
Net per share	2.67	3.39

NICOR INC.	1980 $	1979 $
Year		
Revenue	1.74bn	1.56bn
Net profits	101.4m	87.4m
Net per share	5.00	4.77

REICHHOLD CHEMICALS	1980 $	1979 $
Fourth quarter		
Revenue	221.6m	222.4m
Net profits	7.04m	2.53m
Net per share	0.91	0.26
Year		
Revenue	885.1m	874.9m
Net profits	15.11m	12.23m
Net per share	1.90	1.34

RELIANCE GROUP	1980 $	1979 $
Fourth quarter		
Revenue	438.2m	344.4m
Net profits	23.15m	19.65m
Net per share	3.24	2.15
Year		
Revenue	1.43bn	1.27bn
Net profits	78.56m	66.93m
Net per share	10.46	6.80

ROTHMANS PALL MALL (CANADA)	1980-81 C$	1979-80 C$
Third quarter		
Net profits	9.44m	8.77m
Net per share	1.63	1.50
Nine months		
Net profits	25.26m	23.37m
Net per share	4.32	4.26

SOUTHERN COMPANY	1980 $	1979 $
Fourth quarter		
Revenue	914.8m	762.9m
Net profits	60.9m	59.8m
Net per share	0.49	0.40
Year		
Revenue	3.67bn	3.13bn
Net profits	351.5m	218.1m
Net per share	2.28	1.61

PETROFINA AFTER THE CANADIAN DISPOSAL

An injection of exploration funds

BY GILES MERRITT IN BRUSSELS

PETROFINA'S senior executives at its Brussels headquarters were yesterday coyly refusing to be drawn on the Belgian oil major's plans for spending the "windfall" that is to come from its sale to PetroCanada of control of Petrofina Canada.

"*It could go towards developing our interests in petrochemicals in the U.S., or on further North Sea concessions or it could be spent in coal projects, where we have been looking for opportunities,*" commented one Petrofina executive.

Outsiders could be forgiven for being a little sceptical, as the deal struck yesterday with Canada's state-owned oil company has been a live issue since at least early last September. But then Belgium's Petrofina is notoriously a company that does not believe in signalling its punches.

The likelihood is, though, that because of proceeds from the sale, Petrofina will be announcing for 1982 an increase in its exploration and investment drive that will dwarf the 60 per cent advance that it announced last weekend for 1981.

It revealed then that on the back of profits that were up 13.7 per cent to BFr 9.44bn (US$118m) for 1980, it will be spending BFr 27.5bn this year on investments that include exploration and production, as against BFr 17bn last year.

But the exact amounts to be channelled into further investment depend on the outcome of the fairly complex package agreed with PetroCanada's *negotiating team in Brussels* yesterday. For under the deal the number of Petrofina Canada shares to be sold in 1981 has been left flexible. By the end of this year PetroCanada will have acquired a controlling 51 per cent stake in Petrofina's Canadian subsidiary, but will not necessarily have bought more than 23 per cent of the equity from the Brussels-based parent.

The deal, agreed yesterday, turns out to be remarkably flexible. Petrofina has the option to sell its entire shareholding in Petrofina Canada, with the deal—proceeds of which could eventually total C$2.2bn—staggered over a number of years

How the two companies match up

	Petrofina	Petrofina Canada
	U.S.$	
Net earnings for 1979	244m	52m
Shareholders funds at end 1979	1.3bn	256m
Net debt	3.5bn	205m
Fixed assets	4.5bn	445m

For PetroCanada has undertaken to make a public offer of C$120 (U.S.$100) per share—the same price that Petrofina has accepted—to Canadian institutional and private shareholders who currently own the 28 per cent of the equity not held by the Belgian oil group. Petrofina will therefore sell at least 23 per cent of its shareholding, and will top-up with further shares in proportion to those not sold by Canadian holders.

Under the second stage of the *deal, Petrofina will then have* an option throughout 1982-83 to sell any or all of the balance of its Petrofina Canada shares at the agreed C$120 per share price. The net result of this arrangement, however, is that Petrofina can be certain of a sizeable cash injection—ranging from around C$700m to almost C$2.2bn (U.S.$1.84bn) depending on the number of shares finally sold.

This loose arrangement appears to be a compromise solution, reached as a means of reconciling the Canadian Government's target of gaining control of Petrofina Canada without purchasing the Belgian group's entire holding, and Petrofina's understanding that it was being offered the opportunity to dispose of its entire 72 per cent stake.

Whatever the outcome, Petrofina is likely to consolidate *its healthy position as the 14th* or 15th largest international oil company in profit terms, and Belgium's largest single industrial company. For although the 75 per cent Belgian-owned Petrofina plays no strategic role in assuring Belgium's oil needs—it accounts for a mere 15 per cent of oil imports into the country—it has shifted its interests across the Atlantic and into the North Sea at a dramatic rate during the 1970s.

Last year North Sea oil, notably Petrofina's 30 per cent share in the Ekofisk field, accounted for 70 per cent of the group's total oil production of 8.6m tons, while as recently as 1973 the North Sea had yielded only 14 per cent of the 6.6m tons Petrofina produced. That trend, combined with the Canadian Government's increasingly strong pressure behind "Canadianisation" of the energy business and an increasing tax burden on companies such as Petrofina Canada, formed the background to the bargain.

The Canadian subsidiary last August announced first half-1980 figures giving net earnings up 27 per cent over the same 1979 period to C$40m. But as one Petrofina executive in Brussels last night observed, the deal was not so much a matter of selling the goose that laid the golden eggs as of getting an extremely good price for just a piece of it.

Whether the Belgian group sells the whole goose during the coming three years will depend on how it is laying.

Oerlikon expects lower profits

BY JOHN WICKS IN ZURICH

LOWER profits are expected for 1980 by Oerlikon-Beuhrle, the Swiss weapons to footwear group. The company sees little chance of recovery in 1981.

Sales on a comparable basis almost held level last year, but profits were further depressed by weak trading in the weapons division where development costs rose sharply.

The dividend for 1980 is being maintained at 15 per cent but, says Oerlikon, the outlook for trading this year is "clouded with various uncertainties."

Profit figures for 1980 are not *yet available* but a *preliminary* report says that these were adversely affected by a failure to reach sales targets. Non-military activities improved with some divisions showing substantial increases. But this was insufficient to offset the fall in earnings from the military sector.

Consolidated turnover rose by nearly 6 per cent from SwFr 3.88bn to about SwFr 4.1bn ($2.1bn). However, the growth was almost entirely attributable *to the inclusion* for the first time of sales by the U.S. subsidiary, Motch and Merryweather. The machinery and contraves divisions experienced lower sales of some military products, though their civilian operations had a good year. The automotive, Balzers, welding, Bally and textiles divisions together with property, hotel and insurance reported what were, in part, substantial increases in turnover.

New order volume developed well in the civilian sector, with the value of the order book matching the high 1979 level. Orders for military equipment did not reach targets and the sharp reduction of work on hand led to reduced capacity use. Total expenditure on plant and equipment went up by more than 15 per cent to about SwFr 300m.

As for 1981, the entire civilian area is seen as continuing its favourable development, but Oerlikon is less optimistic with *regard to military products*. "It will take sustained efforts to ensure a good workload for all plants operating in this sector and to avoid an undesirable build-up of inventories."

West German Mobil lower

By Jonathan Carr in Bonn

NET PROFIT of Mobil Oil AG, the West German subsidiary of Mobil of the U.S., dropped to DM 280m ($132.5m) last year from DM 305m in 1979, on turnover up to DM 7.9bn from DM 6.8bn.

The company lays most of the blame for the profits fall on the sharp rise in crude oil prices and the decline of the Deutsche Mark against the dollar.

Sales rise by 6% for Moevenpick

By Our Zurich Correspondent

TURNOVER of the Swiss catering concern Moevenpick rose by 6 per cent last year to about SwFr 450m ($247.25m) and cash-flow improved by an estimated 7 per cent to SwFr 22.5m.

According *to a statement* by Herr Ueli Prager, the managing director and majority shareholder, net earnings for 1980 should, on the basis of the first ten months, be "favourable."

Moevenpick is this April to open a restaurant in Hamburg and, this summer will open its first New York City restaurant. Moevenpick has also taken over the Hotel Lysia in northern Germany.

● Swiss life insurer Patria Schweizerische Lebensversicherungs-Gesellschaft has acquired Hamburger Lebensversicherung. This gives Patria its first immediate access to foreign markets.

French steel group falls short of breakeven target

BY TERRY DODSWORTH IN PARIS

SACILOR, the second largest French steel company, forecast yesterday that its losses for the 1980 year would amount to almost FFr 1bn ($240m).

This estimate, given by M. Jacques Mayoux, the chairman, compares with a deficit of FFr 1.4bn in 1979, when the company was having to shoulder the main burden of the costs incurred in the French steel industry reorganisation plan.

Despite the improvement in the results, the heavy loss represents a *big setback to the* state-controlled group, which had been hoping to reach breakeven by the end of 1980 after two years of reconstruction.

Sacilor has fallen victim of the heavy slump in the world steel industry. This fall in demand struck home in the second half of the year, particularly in the last quarter when the majority of the French industry brought in severe part-time working.

Although the French manufacturers produced almost as much steel (23.2m tonnes) as in 1979, they cut back output by a little more than 25 per cent in the last quarter.

M. Mayoux was speaking after the announcement of measures to rationalise the company's steel distribution network by bringing together its Davum subsidiary with Valor.

● Aircraft manufacturer Avions Marcel Dassault-Breguet Aviation increased sales by 51 per cent last year to FFr 10.7bn ($2.1bn). Two-thirds of the aircraft sold were exported and 90 per cent of orders were for military aircraft.

The privately-owned Dassault company booked orders for 34 Falcon jets for export in 1980, but only two Falcons were sold in France.

Receiver for Spanish TV maker

BY ROBERT GRAHAM IN MADRID

A LEADING Spanish television and radio manufacturer, Cahue Industrial, which has a technology collaboration agreement with Japan's *Hitachi, has gone* into temporary receivership.

The company, whose main products are marketed under the Vanguard trade name, has outstanding assets of Pta 5.69bn ($69m) against debts of Pta 3.45bn. The company said that a restructuring programme was in progress, including a rationalisation of the 1,600 workforce. It appears some of the company's banks are not to renew credit lines.

Approaches had been made to the Spanish Government about the company's future and "*all attempts" would be* made to ensure its viability. However, the position of Hitachi was still unknown.

Two years ago Hitachi signed an agreement exchanging know-how and there are close links between the Japanese concern and the company. Hitachi at one time thought of buying into the company, using it as a future base for European operations, but was eventually content to penetrate the fast-expanding Spanish colour television market.

Vanguard currently has some 12 per cent of the Spanish television market, but its radios and radio cassettes have suffered heavily from recent Government legislation allowing freer entry of such products from Taiwan and Korea as well as Japan. The *principal* shareholder in the company is Sr Joan Cahue Franquet who founded it more than 20 years ago in Barcelona.

Improvement at Trust Bank

BY JIM JONES IN JOHANNESBURG

TRUST BANK, South Africa's fifth largest commercial bank, continues to report improved profits though the management warns that a resumption of ordinary dividends is unlikely until 1985. In the six months to December 31, the bank earned a net profit of R12.5m ($16.7m) after tax and transfers to and from hidden reserves. In the corresponding period of 1979, the disclosed profit was R5.2m, and R12.25m was reported for the year to last June 30. The bank last paid a dividend in respect of 1976.

Although Dr. Fred du Plessis, the chairman, cautions that the present growth rate cannot continue in the long term, he expects the recent trend to be maintained in the current six months, despite profit margins *narrowing* as a result of the rising cost of money.

The bank's troubled property interest continues to cut into earnings, despite the recent improvement on the South African property market. The management fears, however, that the conditions for selling property will become more difficult.

Dr. du Plessis adds that although hidden reserves for contingency are sufficient for normal banking operations they would be inadequate if the bank was forced to take large losses on its property portfolio. However, assistance in this matter is being granted by the South African Reserve Bank, although no details have been made public.

In December, the bank sold its interest in the furniture retail chain, World Furnishers, for R16m. An estimated loss of R20m on the World hire purchase debtors book was written off against contingency reserves.

In the six months to end-December, R10.4m was transferred to disclosed reserves from the reported attributable profit of R10.42m. The management expects the bulk of disclosed profits to be transferred to disclosed reserves for another four years.

MEXICAN STOCK MARKET

Strengthening the fledgling

BY WILLIAM CHISLETT IN MEXICO CITY

THE MEXICAN Government has approved the most important package of measures to date to strengthen the country's fledgling stock market. When the plan is implemented, the Mexican stock exchange, Bolsa Mexicana de Valores, will trade daily in metals, bankers' acceptances, commercial paper and convertible bonds. Options will also be introduced; state companies will be allowed to invest their pension funds in the stock market and greater tax relief will be given to private and corporate investors.

The Finance Ministry announced some measures at Christmas, but in such a vague and confusing fashion that only this month have stockbrokers realised their significance. The lack of publicity given to the measures is probably explained by the opposition to the moves by Mexico's influential banking sector.

The country's banks play a powerful role in the oil-rich economy, participating heavily in industry, insurance and property

The announcement of the measures, which had been under study for a long time, follows official indications that the scheme to allow foreigners greater access to Mexico's capital markets through the Fondo de Mexico, a closed-end investment fund of probably $100m, is to be launched soon.

Mexico has rapidly become a major world oil power and the revenue from oil exports, estimated at $188bn this year, is making for 7-8 per cent real economic growth in 1981 for the third year running. Such expansion has created a voracious appetite for funds, and emphasised the inadequacy of the traditional system of financing through short-term banking credits at high interest rates.

There is now a shortage of credit and companies are having to pay an effective rate of interest of between 34 and 40 *per cent for short-term loans.* As a result, many companies are borrowing dollars abroad.

The stock market experienced two years of extraordinary growth, after the 45 per cent devaluation of the peso in 1976, and with the upsurge in the country's oil wealth, but went through a period of relative stagnation in 1980, when the 29 stock price index rose by only 18 per cent compared with 35 per cent in 1979 and 125 per cent in 1978. The reason for the slowdown is mainly inflation, which in 1980 was 30 per cent, and has contributed to the rise in interest rates to record levels.

The market has been trading on a price-earnings ratio of about six, measured by reported earnings, compared with an average p/e ratio of 16 in May 1979, when the stock market index soared to a peak of 1,798. *The index ended 1980 at 1,433.2* and although touching 1,490 at one point in January subsequently fell back to a level of 1,472 at the start of this week.

No announcement has been made about when the measures will take effect, and some—like options—will be a long time in the *pipeline*. Essentially the measures are:

● Pension funds: At the moment only the pension funds belonging to private companies can be invested in approved securities appearing on a list prepared by the National Banking and Insurance Commission. State companies and government agencies run some of the biggest funds in the country. *Three of the biggest are IMSS* (Mexican Institute of Social Security), Infonavit (workers' housing programme) and ISSTE (social security system for government workers).

Such funds will be allowed to invest, but it is understood that *careful* consideration is being given to placing shares purchased by government pension funds in a trust with non-voting rights. This would make it more difficult for the Government to exercise influence on management by purchasing sufficient stock in listed companies to command positions on the board.

● Official support: The Bank of Mexico has made 1bn pesos ($43m) of credit available to Nacional Financiera, the state *development* bank, *but* no private bank can grant more than 30 per cent of the credit it receives from the authorities to *a brokerage house. Previously*, some banks transmitted almost all such credits to their own brokerage houses.

Also, Mexican banks may no longer hold stock in more than one brokerage house. This is aimed at preventing the banks *from having an undue influence in brokerage houses other than* their own.

Greater investor safeguards will also be provided. The *Government's* Securities Depositary Institute will hold stock certificates for all brokerage houses in a vault in *the central bank. The Institute* will collect dividends and take care of the physical handling of stock transfers.

The Government is also expected to support the listing of Mexican securities on foreign stock exchanges. At the moment only a *few* shares, like Telefonos de Mexicos and Banamex, are traded abroad.

● Trading will be authorised *in gold coins and other* precious metals.

● Commercial paper, which started to be issued last year, *will be* a more commonly used method of finance.

● Tax measures: Small and medium size investors who live in Mexico and invest up to 100,000 pesos (about $4,350) in funds run by the brokerage houses for a minimum of two years will be able to obtain a 15 per cent tax rebate.

Companies will be encouraged to invest more through tax modifications. Unlike individuals, companies are not exempt from capital gains tax *on profits made from share* trading. However, companies are now allowed to make some allowance for inflation in calculating their taxable income arising from trading, provided the shares are held for more than a year.

S. Korea investment trust plan

BY ANN CHARTERS IN SEOUL

THE GRADUAL opening of South Korea's capital market to foreign investors, announced recently by Mr. Lee Seung-Yun, the Minister of Finance, will begin this year with the estab*lishment of an investment trust* holding a mixture of banking bonds and other securities. Depository receipts or beneficial shares in the trust will be sold exclusively to non-resident foreign investors and should pay 15 per cent on average annually.

The range of the trust's investments and the mechanics of its operation *should be* outlined in a prospectus before the end of the year. Present plans call for the investment trust to be administered and marketed by two Korean companies, Hankook Investment Trust Company, and Daehan Investment *Trust Company. Both concerns* were established in the mid-1970s. Their principal shareholders are Korean commercial banks, with some shares held indirectly by the Government.

Whether these two companies will establish overseas offices or market the trust through established foreign security *companies has not been decided.* The Government is also considering establishing an investment company, the Korea Fund, on a joint venture basis with foreign companies to raise additional capital.

The complete opening of the *domestic capital market will not* occur until the late-1990s according to current plans. In order to cushion the impact of foreign movement into the market, a limited amount of direct equity investment by foreign investors will be permitted in 1985. Unlimited direct equity investment by foreign companies and the issue of local *securities overseas is not fore*seen before the late-1980s.

Phliippines bank tests market

By Emilia Tagaza in Manila

THE STATE-OWNED Philippine National Bank (PNB), the largest commercial bank in the Philippines, will issue U.S.$30m of floating rate certificates of deposits (FRCDs) in Singapore.

PNB said that the FRCDs *will* be issued at par in denominations of $250,000. The certificates will have an interest rate spread of ¼ per cent over the six-month Singapore inter-bank offered rate (SIBOR), and will have a maturity of three years.

The issue is meant primarily to establish PNB's name in the international market. PNB *expects to float other instru*ments for bigger amounts

Expansion in meat trading boosts Kanhym turnover

BY JIM JONES IN JOHANNESBURG

KANHYM, the South African farming combine which is 51 per cent owned by General Mining Union Corporation (Gencor), earned a pre-tax profit of R19.5m ($25.57m) in the 15 months to December 31, 1980. Turnover was R359.4m ($479m).

In the 15 months, Kanhym went through various changes which, the directors say, render meaningless comparisons with previous trading periods. A 51 per cent interest was acquired in Karoo Meat Exchange, effective from July 1, which allowed the group to extend its meat distribution activities throughout the country. Karoo provided a major boost *to turnover. In the six* months to December turnover was R294m and pre-tax profit R7.1m.

The directors *forecast* that the present year combined turnover will rise to more than R850m. Excellent potato and maize crops are *forecast*, as a result of recent good rains in the growing areas. The cattle feedlot, which the board describes as the backbone of the Kanhym operation, is being expanded.

The directors note, however, that feeder cattle are in short supply and that the expanded feedlot will only reach full capacity in 1983 or 1984. In a further development, a piggery stud has been acquired at Malmesbury, in the Cape province, and the company is building a 1,500-sow unit at its Middelburg, Transvaal, farm. The unit is expected to provide 5 per cent of the pork required by Karoo. In conjunction with Karoo, Kanhym is aggressively expanding its red meat interests.

A total dividend of 55 cents has been paid from earnings of 159.4 cents in the 15 months, and the directors promise an earnings forecast for the current year with publication of the annual report in March.

Companies and Markets

CURRENCIES, MONEY and GOLD

Dollar firm

Dollar was very firm in nervous foreign exchange trading, contributing to heavy intervention by the German Bundesbank to defend the D-mark. Market estimates put central bank open market intervention at around $500m in Germany in addition to the $70m sold at the Frankfurt fixing. Interest rates *remained in the background* despite further cuts in prime lending rates by U.S. banks.

Sterling firmed slightly against the dollar after its earlier decline and was very firm against major European currencies, touching a record level against the lira and returning above DM 5 in terms of the D-mark.

European currencies lost ground against the dollar, but showed little change within the European Monetary System. The French franc remained the strongest EMS member, followed by the Dutch guilder and Danish krone.

DOLLAR — trade weighted index (Bank of England calculation) rose to 99.5 from 98.6. The dollar was generally firm, *but finished around its lowest* level of the day following rumours of a possible package from West Germany to defend the D-mark. The U.S. currency rose to DM 2.1330 from DM 2.1205, after touching a peak of DM 2.1650, and improved to SwFr 1.9350 from SwFr 1.9210 against the Swiss franc.

STERLING — trade-weighted index (Bank of England) eased to 104.0 from 104.2, after opening at 104.1 and rising to 104.3 at noon. The pound opened at $2.3240-2.3250, the lowest level of the day against the dollar, and after touching $2.3425 traded around $2.3350 for most of the morning. In the afternoon sterling rose to a peak of $2.3510-2.3525, before closing at $2.3510-2.3520, a rise of 25 points on the day.

D-MARK — Remaining weak near the bottom of the European Monetary System, reflecting Germany's poor balance of payments position and slower than expected economic growth rate. The steadier trend in U.S. *interest* rates has also depressed the D-mark, with tension over Poland still a market factor—The D-mark weakened against most currencies at the Frankfurt fixing. The dollar rose to DM 2.1500 from DM 2.1063 and the Bundesbank sold $70m at the fixing, plus heavy intervention on the open market, as the U.S. unit touched DM 2.1600. The announcement that West German unemployment had risen to a five-year high *in January of 5.6* per cent contributed to the general impression of a weak economy. Sterling rose to DM 5.0200 from DM 4.9720 at the fixing, and other European currencies were firm.

DANISH KRONE—Showing a weaker trend against most major currencies since the beginning of the year, because the krone has been held steady against the depreciating D-mark. On the other hand the krone remains one of the stronger members of the EMS—The krone fell by 2.8 per cent against a trade-weighted basket of currencies during January and according to the *Copenhagen Handelsbanken* has fallen by 6.7 per cent during the past year. The January decline was caused chiefly by the rise of the dollar and sterling, and most major currencies rose against the krone at yesterday's Copenhagen fixing. The dollar was fixed at DKr 663.95 compared with DKr 648.85, and sterling at DKr 1,550.95, against DKr 1,536.70.

THE POUND SPOT AND FORWARD

Feb. 3	Day's Spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.3240-2.3525	2.3510-2.3520	0.62-0.72c dis	−3.42	2.37-2.47dis	−4.12
Canada	2.7770-2.8150	2.8135-2.8145	0.82-0.92c dis	−3.71	2.80-3.00dis	−4.12
Nethlnd.	5.41-5.49	5.43½-5.44½	2¼-1¾c pm	4.14	5½-4½ pm	3.40
Belgium	80.30-81.10	80.45-80.55	15-5c pm	1.49	21-11 pm	0.79
Denmark	15.41-15.54	15.48-15.49	3½-1½ore pm	1.74	1½pm-½dis	0.13
Ireland	1.3405-1.3535	1.3415-1.3425	0.01-0.14p dis	−0.67	0.19-0.38dis	−0.85
W. Ger.	4.99½-5.05½	5.01½-5.02½	2½-1½pf pm	4.48	4¼-3¾ pm	3.39
Portugal	131.00-133.00	132.80-132.90	85c pm-20 dis	2.94	75pm-115dis	−0.80
Spain	195.70-197.90	197.65-197.85	10c pm-60 dis	−1.52	190-275 dis	−4.70
Italy	2374-2392	2386-2388	7½-8½lire dis	−4.15	30-33 dis	−5.28
Norway	12.71-12.80	12.77½-12.78½	3-1¼ore pm	2.23	3½-1¾ pm	0.80
France	11.53½-11.64½	11.54-11.55	3½-2¼c pm	3.38	7¼-6¼ pm	2.34
Sweden	10.70-10.79	10.77½-10.78½	4¼-5ore dis	−5.15	17¼-18¼dis	−6.59
Japan	476-485	478½-480½	2.45-2.10y pm	5.68	5.60-5.20 pm	4.50
Austria	35.45-35.86	35.80-35.85	15-12gro pm	4.52	30-24 pm	3.01
Switz.	4.51-4.57	4.54½-4.55½	3½-2¼c pm	6.92	7¾-6¾ pm	6.48

Belgian rate is for convertible francs. Financial franc 80.65-80.75. Six-month forward dollar 4.50-4.60c dis. 12-month 6.50-6.60c dis.

THE DOLLAR SPOT AND FORWARD

Feb. 3	Day's Spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.3240-2.3525	2.3510-2.3520	0.62-0.72c dis	−3.42	2.37-2.47dis	−4.12
Ireland†	1.7275-1.7490	1.7480-1.7490	0.35-0.45c dis	−2.76	1.30-1.45dis	−3.17
Canada	1.1940-1.1975	1.1972-1.1975	0.02-0.07c dis	−0.45	0.05pm-par	0.08
Nethlnd.	2.3220-2.3425	2.3315-2.3335	1.60-1.50c pm	7.97	4.47-4.37pm	7.58
Belgium	34.22-34.62	34.22-34.24	16-14½c pm	5.30	43-40 pm	4.81
Denmark	6.5875-6.6400	6.6010-6.6035	3-2½ore pm	5.00	7-6½ pm	4.09
W. Ger.	2.1300-2.1650	2.1325-2.1335	1.37-1.31pf pm	7.54	3.98-3.92 pm	7.41
Portugal	56.20-56.65	56.20-56.35	60-15c pm	6.93	85-15 pm	3.55
Spain	83.90-84.20	83.90-83.95	par-30c dis	−2.14	20-55dis	−1.79
Italy	1010.0-1022.0	1018.0-1019.5	½-1½lire dis	−1.47	11-13 dis	−4.71
Norway	5.4345-5.4890	5.4450-5.4470	2.70-2.20ore pm	5.40	6.70-6.20 pm	4.74
France	4.9000-4.9800	4.9100-4.9200	2.87-2.77c pm	6.83	7.95-7.75pm	6.34
Sweden	4.5840-4.5990	4.5970-4.5990	0.20-0.40ore dis	−0.78	0.70-0.90dis	−0.69
Japan	203.75-206.00	203.95-204.05	1.60-1.45y pm	8.97	4.55-4.40pm	8.77
Austria	15.18-15.27	15.21½-15.22½	10.00-9.40gro pm	7.64	28.0-26.5pm	7.15
Switz.	1.9340-1.9565	1.9345-1.9355	1.80-1.72c pm	10.91	5.23-5.15pm	10.73

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY MOVEMENTS

Feb. 3	Bank of England Index	Morgan Guaranty Changes%
Sterling	104.2	−23.0
U.S. dollar	99.5	−4.8
Canadian dollar	84.8	−18.6
Austrian schilling	113.7	+20.1
Belgian franc	108.0	+9.0
Danish kroner	89.5	−10.6
Deutsche mark	117.7	+37.8
Swiss franc	133.1	+73.3
Guilder	112.4	+15.7
French franc	86.8	−8.9
Lira	61.4	−53.6
Yen	148.6	+44.3

Based on trade weighted changes from Washington agreement Decembr, 1971. Bank of England Index (base average 1975=100).

CURRENCY RATES

Feb. 2	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	14	0.527754	0.523058
U.S. $	13	1.24550	1.23259
Canadian $	16.97	1.48688	1.47060
Austria Sch.	6¾	18.8892	18.3594
Belgium F.	12	42.1553	41.6660
Danish K.	11	8.07707	7.98715
D'mark	7½	2.62340	2.59361
Guilder	8	2.84721	2.81399
French Fr.	9½	6.05562	5.98657
Lira	16½	1244.88	1231.04
Yen	7¼	256.822	249.808
Norwgn. Kr.	9	6.74563	6.67268
Spanish Pts.	8	102.694	101.602
Swedish Kr.	12	5.66889	5.60765
Swiss Fr.	3½	2.38589	2.34931
Greek Dr'ch.	—	—	60.9257

OTHER CURRENCIES

Feb. 3	£	$		£ Note Rates
Argentina Peso	5237-5267	2231-2242	Austria	35.30-35.70
Australia Dollar	2.0095-2.0135	0.8590-0.8600	Belgium	80.30-81.10
Brazil Cruzeiro	162.25-163.25	69.19-69.54	Denmark	15.36-15.51
Finland Markka	9.424-9.443	4.0305-4.0325	France	11.52-11.62
Greek Drachma	114.849-117.784	50.45-50.55	Germany	5.00-5.04
Hong Kong Dollar	12.48½-12.42½	5.3060-5.3090	Italy	2400-2490
Iran Rial	174.70*	74.00*	Japan	478-484
Kuwait Dinar(KD)	0.632-0.638	0.2731-0.2733	Netherlands	5.43-5.48
Luxembourg Frs.	80.45-80.55	34.22-34.24	Norway	12.69-12.81
Malaysia Dollar	5.2340-5.2440	2.2410-2.2430	Portugal	129-143
New Zealand Dlr	2.4765-2.4815	1.0580-1.0590	Spain	190¾-200
Saudi Arab. Riyal	7.71-7.77	3.3305-3.3325	Sweden	10.67-10.77
Singapore Dollar	4.8560-4.8660	2.0790-2.0820	Switzerland	4.53-4.57½
Sth African Rand	1.8045-1.8055	0.7675-0.7680	United States	2.32¾-2.34¾
U.A.E. Dirham	8.50-8.56	3.6725-3.6745	Yugoslavia	84½-87¾

Rate given for Argentina is free rate. * Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU February 3	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	39.7897	41.7722	+4.98	+1.07	±1.53
Danish Krone	7.72336	7.99812	+3.56	−0.35	±1.64
German D-Mark	2.48208	2.60010	+4.75	+0.84	±1.125
French Franc	5.84700	6.00479	+2.69	−1.22	±1.3557
Dutch Guilder	2.74362	2.82224	+2.87	−1.04	±1.512
Irish Punt	0.662201	0.692765	+4.57	+0.66	±1.668
Italian Lira	1157.79	1232.90	+6.49	+2.72	±4.08

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Feb. 3	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.352	5.020	480.0	11.55	4.550	5.440	2387.	2.814	80.60
U.S. Dollar	0.425	1.	2.135	204.1	4.910	1.935	2.313	1015.	1.199	34.23
Deutschemark	0.199	0.468	1.	95.62	2.300	0.906	1.084	475.5	0.561	16.04
Japanese Yen 1,000	2.083	4.899	10.46	1000.	24.05	9.479	11.33	4973.	5.862	167.7
French Franc 10	0.866	2.037	4.348	415.8	10.	3.941	4.712	2068.	2.437	69.73
Swiss Franc	0.220	0.517	1.103	105.5	2.537	1.	1.196	524.6	0.618	17.69
Dutch Guilder	0.184	0.432	0.923	88.24	2.122	0.836	1.	438.8	0.517	14.80
Italian Lira 1,000	0.419	0.985	2.103	201.1	4.837	1.906	2.279	1000.	1.179	33.72
Canadian Dollar	0.355	0.836	1.784	170.6	4.103	1.617	1.933	848.3	1.	28.61
Belgian Franc 100	1.242	2.921	6.236	596.3	14.34	5.652	6.758	2965.	3.496	1·00

FT LONDON INTERBANK FIXING (11.00 a.m. FEBRUARY 3)

3 months U.S. dollars		6 months U.S. dollars	
bid 17 3/8	offer 17 1/2	bid 16 11/16	offer 16 15/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, *of the bid and offered rates for $10m quoted by the market to five reference banks* at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

Feb. 3	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	14¼-14⅜	17⅛-17¾	18-19	9⅛-9⅝	2½-3	9-9⅛	10⅛-10⅝	14-17	12-12½	8½-8¾
7 days' notice	14¼-14⅜	17¾-18	18-19	9⅛-9¼	3¾-4	9⅛-9⅜	10⅛-10⅝	18¼-20¾	11½-12	8⅝-8¾
Month	14⅛-14⅜	17⅛-17⅝	17¾-18⅛	9⅛-9¼	5⅞-6⅛	9⅜-9⅝	10⅝-10⅞	18-19½	12-12½	8⅛-8⅜
Three months	13⅞-13⅞	17⅛-17⅜	17-17⅝	9⅝-9⅞	6⅛-6⅜	9⅝-9¾	10¾-10⅞	18⅝-19⅝	12⅝-12⅞	8⅛-8⅜
Six months	12⅞-12⅞	16⅞-16⅞	16⅛-16½	9½-9⅝	6⅛-6¼	9⅝-9¾	11¾-11⅞	18⅝-19⅝	12⅝-12¾	8¼-8½
One Year	12⅝-12⅞	15⅝-15⅞	15¼-15⅝	9¼-9⅞	6⅛-6⅜	9⅜-9⅞	12⅝-12⅞	18¾-19¾	12⅝-12¾	8⅜-8⅝

SDR linked deposits: one-month 13½-13⅝ per cent; three-months 13⅜-13⅝ per cent; six-months 12$^{13}/_{16}$-13$^{1}/_{16}$ per cent; one year 12¼-12⅝ per cent.
Asian $ (closing rates in Singapore) one-month 17⅞-17⅝ per cent; three-months 17⅛-17⅜ per cent; six-months 16⅞-16⅞ per cent; one year 15⅝-15¾ per cent.
Long-term Eurodollars two years 15-15¼ per cent; three years 14¾-15 per cent; four years 14½-14⅞ per cent; five years 14½-14⅞ per cent; nominal closing rates. Short-term rates are call for sterling, U.S. dollars, Canadian dollars and Japanese yen: others two-days' notice.
The following nominal rates were quoted for London dollar certificates of deposit: one-month 17.20-17.30 per cent; three-months 16.95-17.05 per cent; six-months 16.20-16.30 per cent; one year 15.40-15.50 per cent.

INTERNATIONAL MONEY MARKET

Dutch rates steady

Interbank money rates were mostly steady in Amsterdam yesterday, after the injection of further funds into the market by the authorities. The Central Bank increased liquidity levels through 14-day swap operations starting from tomorrow, but dealers were unable to assess the amount involved. Yesterday's move effectively heads off a slight hardening in rates seen over the last few days. Call money was quoted at 9½-9¾ per cent compared with 9-9½ per cent, while the one-month rate was unchanged at 9½-9⅝ per cent. Three-month money was also steady at 9½-9⅝ per cent.

In Frankfurt call money was quoted at 9.00-9.10 per cent, down from Monday's figure of 9.10-9.20 per cent, and one-month money was easier at 8.90-9.10 per from 9.10-9.20 per cent. Longer-term rates were firmer, however, *reflecting the poor position of the* D-mark within the European Monetary System, and its recent sharp decline against the U.S. dollar.

The Bundesbank accepted tenders for the latest securities pensions facility totalling DM 2.6bn, replacing maturities of DM 9.9bn. The shortfall was greater than market expectations, although the difference has been partly met by a raising of rediscount quota and a lowering of minimum reserve requirements, which together should add a further DM 6.7bn to market liquidity.

In Paris short-term money remained at 10⅜ per cent. Period rates were also unchanged. Meanwhile, the Bank of France announced its intention to hold a Treasury bill auction tomorrow at FFr 1bn of 12-month bills. While domestic interest rates remained steady, so the French franc showed little change within the EMS.

GOLD

Further fall

Gold fell $8 to close at $487-490 in the London bullion market yesterday, but this was the highest level of the day. The metal opened at $480-483, and touched a low of $478-481. It was fixed at $482.00 in the morning, and $486.25 in the afternoon.

In Paris the 12½-kilo gold bar was fixed at FFr 85,000 per kilo ($532.80 per ounce) in the afternoon, compared with FFr 85,000 ($531.40) in the morning, and FFr 85,500 ($546.96) Monday afternoon.

In Frankfurt the 12½-kilo bar was fixed at DM 33,490 per kilo ($483.49 per oz), against DM 33,495 ($495.00) previously, and closed at $485-488 compared with $492-495.

In Zurich gold finished at $486-489 against $492-495.

	Feb. 3		Feb. 2	
Gold Bullion (fine ounce)				
Close	$487-490	(£208¼-209½)	$495-498	(£210⅝-212)
Opening	$480-483	(£206¼-207½)	$501-504	(£211½-215)
Morning fixing	$482	(£206.203)	$493.25	(£208.542)
Afternoon fixing	$486.25	(£208.155)	$493.50	(£210.089)
Gold Coins				
Krugerrand	$501½-503½	(£213¾-214½)	$510-512	(£217-218)
1/2 Krugerrand	$258-262	(£110-111½)	$261-265	(£111-112¾)
1/4 Krugerrand	$130½-134½	(£55½-57¼)	$132-136	(£56¼-57¾)
1/10 Krugerrand	$54½-58½	(£23¼-25)	$55-59	(£23½-25)
Mapleleaf	$499-501	(£212½-213½)	$509-511	(£216¾-217½)
New Sovereigns	$122½-123½	(£52¼-52¾)	$125-126	(£53¼-53¾)
King Sovereigns	$146-148	(£62¼-63¼)	$151-155	(£64¼-65¼)
Victoria Sovs.	$146-148	(£62¼-63¼)	$151-155	(£64¼-65¼)
French 20s	$173-176	(£73¾-75)	$172-174	(£73¼-74)
50 pesos Mexico	$604-609	(£257¼-259½)	$615-619	(£261¾-263½)
100 Cor. Austria	$472-477	(£201-203¼)	$487-490	(£207¼-208½)
$20 Eagles	$617-622	(£263-265)	$633-638	(£269½-271½)

UK MONEY MARKET

Small help

Bank of England Minimum Lending Rate 14 per cent (from November 24, 1980)

Day to day credit was in short supply in the London money market yesterday, and the authorities gave assistance on a small scale. This comprised purchases of Treasury bills, local authority bills, and commercial bills, all direct from discount houses. The latter were paying up to 14 per cent for secured call loans at the start, with later balances taken at 13¾-13⅞ per cent. The market was faced with a moderate excess of revenue transfers to the Exchequer over Government disbursements, and a small number of commercial bills maturing in official hands. On the other hand, banks brought balances a large way above target.

In the interbank market overnight loans opened at 14¼-14½ per cent and rose to 14¾-14⅞ per cent on expectations of a shortage, before coming back to trade at 14¼-14½ per cent for most of the morning. During the afternoon rates eased to 14-14¼ per cent, and closing balances were taken at 13⅞-13½ per cent.

LONDON MONEY RATES

Feb. 3 1981	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	13½-14⅝	14	—	—	14¼-14⅞	13½-14	—	—	—
2 days notice	—	—	14⅛	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	14⅛-14¼	14⅛	—	14½	14⅝-14⅞	14	—	—	—
One month	14⅛-14⅛	14⅛-14⅛	14⅛-14¼	15¼-14⅞	14½	14⅛	14	12⅞	13⅝	14⅝
Two months	13⅞-13⅞	13¾-13⅞	—	14⅛-14	14⅛	14⅛	13⅝-13½	12⅞	13¼-13⅞	14⅛
Three months	13⅝-13¼	13⅝-13½	13⅝-13⅞	13⅞-13½	13¾	13⅞-14	12¾-13⅛	12⅞-12⅞	12⅝-12⅞	13⅞
Six months	12⅞-12⅞	12⅝-12⅞	12¾	13¼-12⅞	13⅛	13½	—	—	11⅞	12½
Nine months	12⅞-12⅞	12⅝-12⅞	—	13¼-12⅞	13	13½	—	—	—	—
One year	12⅞-12⅞	12⅞-12⅝	12⅝	12⅞-12¾	12⅞	13½	—	—	—	—
Two years	—	—	13⅛	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rates nominally three years 13¾-13½ per cent; four years 13½-13¾ per cent; five years 13½-13¾ per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 12⅞-12⅞ per cent; four-month trade bills 13 per cent.

Approximate selling rate for one-month Treasury bills 12⅞ per cent; two-months 12⅝ per cent; three-months 12$^{13}/_{16}$-12½ per cent. Approximate selling rate for one-month bank bills 13½ per cent; two-months 13½-13$^{7}/_{16}$ per cent; three-months 12½-12⅞ per cent; one-month trade bills 14⅞ per cent; two-months 13⅞ per cent and three-months 13⅞ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 15 per cent from February 1, 1981. Clearing Bank Deposit Rates for sums at seven days' notice 11½-12 per cent. Clearing Bank Rates for lending 14 per cent. Treasury Bills: Average tender rates of discount 12.6095 per cent.

MONEY RATES

NEW YORK	
Prime Rate	19½-20
Fed. Fund	17½-17⅞
Treasury Bills (13-week)	14.87
Treasury Bills (26-week)	13.94
GERMANY	
Discount Rate	7.5
Overnight Rate	9.05
One month	9.00
Three months	9.525
Six months	9.60
FRANCE	
Discount Rate	9.5
Overnight Rate	10.6875
One month	10.8125
Three months	11.3125
Six months	12.125
JAPAN	
Discount Rate	7.25
Call (Unconditional)	8.8125
Bill Discount (three-month)	8.65625

APPOINTMENTS

Sir Wm. Barlow joins BICC

Sir William Barlow, a former *chairman of the Post Office, has* been appointed a non-executive director of BICC from March 1. Sir Peter Allen, who has been a member of the board as a non-executive director since 1971, will not be seeking re-election at the annual meeting in May. Sir Peter was formerly chairman of ICI. Sir William is a director of Thorn EMI and chairman of its engineering group.

★

Mr. Michael Sharman, at present chairman of industrial operations in Europe of CHLORIDE GROUP and a main *board director*, has been appointed director of finance and central services. He was the group's finance manager from 1973 to 1976. Mr. David Cochrane, executive vice-chairman and finance director, who plans to retire in May 1982, will work directly with Mr. John Ray, *the chief executive*. To ensure continuity, he will be involved with Mr. Mike Sharman on the medium and long term financing of the group. The appointments take effect from March 2.

★

Mr. David Proudlove has been appointed chairman and Mr. Geoffrey Nicholson becomes managing director of AVIATION INTERNATIONAL CONSULTANTS, a member of the Airclaims Group.

★

Mr. Tom Finch has become managing director of EDG ENGINEERING INTERNATIONAL succeeding Mr. Roger Parkin. Mr. David Taylor and Dr. Mike Stafford take over new positions as director of projects and director of telecontrol, respectively. *Mr. Parkin has moved* to a group appointment in Houston, Texas.

★

Mr. Ignacio Calonje has been appointed representative of the BANCO DE GALICIA Y BUENOS AIRES in London.

★

Mr. Hugh Rossi, Minister of State for Social Security and the Disabled, has appointed Mr. John Townend, MP for Bridlington, to be his Parliamentary Private Secretary.

★

Mr. C. T. Howard has retired *from the Board of* TALLENT ENGINEERING, a subsidiary of the Colston Group.

★

Mr. E. S. Kirk has been installed as president of the INSTITUTE OF CHARTERED SECRETARIES AND ADMINISTRATORS. He is a former *company secretary* of the Esso Petroleum Company.

★

Mr. Alexander Eaglestone has been appointed secretary of the *MAGDALEN COLLEGE DEVELOPMENT TRUST*.

★

Mr. Rene Dufaud, managing director of Solex SA, Paris, has become chairman of SOLEX (UK) and Mr. Geoffrey Lawrence has been made chief executive. The appointments follow the retirement of Mr. J. G. Dawson as chairman and chief executive. Mr. Alain Chaintron joins the Board as deputy chairman. Mr. Dawson remains a director of the holding company Solex Ltd.

★

Mr. John P. Burns has been appointed associate director of PURCELL GRAHAM AND CO. LTD., a subsidiary of Purcell *Graham and Co. Inc.*, New York.

★

Two board members of WESTWARD TELEVISION will be *joining the new franchise* holders, Television South West, as executive directors. They are Mr. Harry Turner, sales director at Westward's London headquarters, and Mr. David Dickinson, Westward's technical controller. Both men will take up identical duties with TSW.

★

The Secretary of State for Energy has appointed Mr. Roy Dantzic as a full-time member of *the* BRITISH NATIONAL OIL CORPORATION until August 1982. Mr. Dantzic has been seconded from Samuel Montagu and Co. He joined the Corporation in August 1980 as managing director, finance and planning.

★

Mr. John Duncan has been elected to the board of PA INTERNATIONAL. Mr. Kenneth Hampton has become chairman of PA Management Consultants, UK Board, on the retirement of *Mr. Douglas Muirhead*. Mr. John Foden has joined that board and Mr. Ken Macrae has resigned following his secondment to the U.S. unit.

★

Dr. John Shields has been appointed managing director of STANDARD TELECOMMUNICATION LABORATORIES, Harlow, Essex.

★

Mr. John Taylorson, chief executive of the Civil Service Catering Organisation, is to become head of catering services at BRITISH AIRWAYS from March 1. He succeeds Mr. Tony Clivaz, who is retiring.

WORLD STOCK MARKETS

Early drifting on Wall Street

AFTER MONDAY'S sharp setback, Wall Street stocks moved indecisively yesterday morning in another fairly active trade as investors waited for clear signs of the direction of interest rates and specifics of President Reagan's fiscal package.

Analysts said the market's recent weakness reflects uncertainty about which sectors of the economy will suffer and which might benefit from the Reagan policies. It also reflects uncertainty about whether Reagan will be able to pilot his tax cut proposals through Congress.

The Dow Jones Industrial Average, down 15 points the previous day, was a slight 0.69 firmer at 932.94 at 1 pm. The NYSE All Common index edged up 2 cents to $72.69, but declines led gains by a few issues. Turnover came to 30.42m shares, little changed from Monday's 1 pm level of 30.72m.

More major banks cut their Prime Rates to 19½ per cent from 20 per cent but credit market rates moved higher.

Cannon Mills fell 7¾ to $25½. It has ended talks about a takeover of Cannon which were being held with an investor group led by Harold Geneen.

Celanese was unchanged at $63¾ but Texas Eastern lost 1¼ to $63¾. They are to build and jointly own a methanol plant in Jubail, Saudi Arabia. The deal with Saudi basic industries will also provide for long-term entitlements to Saudi crude oil.

Emerson Electric reported narrowly higher fiscal first-quarter net profits and added ⅛ at $37.

Columbia Gas slipped ½ to $37½ but Standard Oil California rose ⅞ to $88⅞. Columbia has contracted to buy half the gas production from Socal's Carter Canyon and Whitney Creek Fields in South-west Wyoming.

THE AMERICAN S.E. Market Value Index shed 1.09 more to 332.94 at 1 pm. Volume 3.10m shares (3.68m).

Canada

Markets remained easier-inclined early yesterday in a fair business. The Toronto Composite index was off 1.8 at 2,189.5 at noon, while Oil and Gas shed 9.3 to 4,306.9, but Golds recovered 26.3 to 3,924.7.

Tokyo

Fears of tighter restrictions on margin trading due to a high level of buying contracts in margin business prompted profit-taking yesterday, which left shares mainly easier following the market's advance on Monday to a new record high. Sentiment was also dampened by the overnight Wall Street fall.

Many investors remained on the sidelines, resulting in a further contraction in volume to 230m shares from the previous day's 250m.

The Nikkei-Dow Jones Average receded 30.75 from Monday's all-time peak to close at 7,291.31. The Tokyo S.E. index declined 1.71 to 510.23, while falls outnumbered rises on the First Market section by 409 to 281.

Oils, Foods, Pharmaceuticals, medium-sized Blue Chips and speculatives mostly closed lower after initial firmness. Arabian Oil shed Y60 to Y3,240, Sankyo Pharmaceutical Y15 to Y682, Kirin Brewery Y2 to Y460, and Fuji Photo Y17 to Y893.

High-priced Light Electricals declined from the start, with Sony losing Y40 to Y3,030, Pioneer Y30 to Y2,880 and Victor Japan Y10 to Y2,690.

Hong Kong

The market staged a fresh advance in active dealings, lifting the Hang Seng index, after Monday's 20.62 gain, 32.30 more to 1,641.00. This is only 13½ points below the closing seven-year high of 1,654.57 recorded on November 13 last year.

Sentiment was further boosted by Morgan Guaranty's one-point Broker Loan Rate cut to 19 per cent, which was taken to indicate a further general softening in U.S. interest rates.

Attention focused on property-related stocks, particularly those which investors see floating off property-only subsidiaries soon.

Wheelock group shares were strong, with Wheelock Marden "A" rising 20 cents to HK$8.35, HK Realty HK$1.10 to HK$11.60 and Realty Development "A" 30 cents to HK$8.15.

Sun Hung Kai Properties gained 50 cents to HK$21.10, Hopewell HK$1.50 to HK$20.00 and Far East Consortium 55 cents to HK$6.90.

Overseas Union Realty added HK$1.10 at HK$7.10 after a HK$1.70 jump on Monday ahead of Warrant price calulation next week for its recent rights issue.

Germany

Stocks were generally easier, with the weakness of the Deutsche Mark, Wall Street's overnight fall, nervousness on the West German Bond markets and an announcement that West Germany's unemployment rate had risen to a five-year high of 5.6 per cent in January from 4.8 per cent in December, all acting to undermine sentiment. The Commerzbank index shed 3.4 to 688.9.

Machine Manufacturers sustained sharp falls, Linde declining DM 4.90 and KHD DM 3.50. In Motors, BMW lost DM 3.50 but Daimler added DM 1.

On the Domestic Bond market, Public Authority Loans eased by as much as 60 pfennigs. The Bundesbank bought a net DM 28.9m of paper after purchases of DM 9.2m on Monday. Mark Eurobonds had falls ranging to two points.

Milan

The stock market retreated sharply again under heavy selling pressure triggered by the dollar's strong advance against the Lira. The Banca Commerciale Italiana index relinquished 5.95 more of its recent good rise to end at 201.90.

An early share rally was quickly reversed by large selling orders on fears that the growing weakness of the Lira might force Italian monetary authorities to initiate further credit restrictions in addition to those announced over the weekend and also to increase the Official Discount Rate, now standing at 16.5 per cent.

A senior broker said, "I fear it is the beginning of a severe downward period for the stock market." Italian share prices have been strong in recent months as a result of large liquidity and heavy investment in stocks as a refuge against mounting inflation.

Sales especially affected issues of the Banking, Insurance, Industrial and Food sectors.

Australia

The Mining and Oil sectors continued to decline yesterday, with speculation about the possibility of more big capital-raising exercises and the fresh fall in the Gold Bullion price acting as depressants. However, Industrials tended to hold up better.

The Sydney All Ordinaries index slipped 3.6 more to 644.8, making a loss of 88 points since January 7. The Metals and Minerals index receded 9.0 to 592.7.

BHP, which has taken much of the blame for the current fall in the market with its announcement of a A$331m rights issue, finished 15 cents lower at A$13.65 for a loss of A$1.25 over the past three business days.

Western Mining shed 5 cents to A$4.80 amid talk that the company may follow BHP with a rights issue. Woodside Petroleum, however, picked up 5 cents to A$2.65, after falling 30 cents on Monday on speculation that the company will make a rights offer with a high premium.

Among Golds, Kitchener lost 50 cents to A$3.00, Buddha 10 cents to A$1.00, Hamma 15 cents to A$2.25 and Poseidon 15 cents to A$4.50.

Johannesburg

Reflecting the further fall in the Bullion price, Gold shares generally lost more ground in another moderate trade. West Driefontein retreated R4 to R71 and Durban Deep R2.50 to R16.00.

Closing prices for North America were not available for this edition.

NEW YORK

CANADA

BELGIUM (continued)

HOLLAND

AUSTRALIA

JAPAN (continued)

DENMARK

FRANCE

ITALY

NORWAY

HONG KONG

SINGAPORE

SWEDEN

SOUTH AFRICA

GERMANY

AUSTRIA

SWITZERLAND

BELGIUM/LUXEMBOURG

BRAZIL

Indices

NEW YORK —DOW JONES

STANDARD AND POORS

N.Y.S.E. ALL COMMON

MONTREAL

TORONTO Composite

NEW YORK ACTIVE STOCKS

Fishermen meet Minister

By Our Own Correspondent

SCOTTISH fishing industry leaders will today meet Government Ministers in London over the deepening fishing crisis which has tied-up almost 300 vessels in North-East Scottish ports.

Mr. Gilbert Buchan, president of the 6,000-member Scottish Fishermen's Federation, and other fishing leaders will meet Scottish Secretary George Younger and also Scottish Office Minister of State for Agriculture and Fisheries, Lord Mansfield, at the House of Commons.

Yesterday fishermen in the chief white fish port of Peterhead, north of Aberdeen, where 200 vessels are tied up, decided to call on other fishing vessels returning to the port to take similar action.

The fishermen hope to spread their protest over the import of cheap foreign fish to include the complete 1,100-boat SFF fleet. Between 70 to 80 boats have already tied up in Fraserburgh where fishermen have prevented the unloading of a cargo of Icelandic processed white fish.

Skipper John McLean, chairman of the local White Fish Producers Association, said yesterday in Peterhead: "It's not economically viable for 70 per cent of the Scottish boats to go to sea. It's cheaper to stay in port under the present climate."

Mr. McLean who will be one of the delegation in London said that fishermen wanted the government to look into the question of imported fish and its entry into UK markets at such low prices.

The Scottish Office said last night the Ministers and the industry were very anxious to have these talks.

English farmland prices fall

THE AVERAGE price of English agricultural land changing hands in the three months ended December was £3,482 a hectare, the Ministry of Agriculture reported yesterday. This compared with £3,557 in the September/November quarter.

But the fall was not reflected in the Ministry's price index which makes allowance for area and size-group subdivisions in the sample. This rose from 190 to 200 (1973=100).

The figures were based on sales covering 245 hectares.

UK grain exports jump

BY RICHARD MOONEY

UK GRAIN exports have soared to nearly 1.6m tonnes so far this season, up 250 per cent from the same period last year, threatening tight supplies and higher prices on the home wheat market.

Figures published yesterday by the Home-Grown Cereals Authority show that between August 1 and January 10 wheat exports totalled 694,214 tonnes and barley exports 894,956 tonnes. A year earlier the total stood at 74,900 tonnes for wheat and 377,888 tonnes for barley.

The high volume of wheat exports could result in tight domestic supplies for the rest of the season, the HGCA warned. It noted that wheat exports had already exceeded the Ministry of Agriculture's estimate of export availability in the 1980-81 season by 56,000 tonnes.

The HGCA said loading returns showed 82 per cent of the wheat and 50 per cent of the barley was destined for other EEC countries, but it added much of it would have been transhipped into larger vessels at Continental ports then shipped on to non-member countries. This was thought to be particularly true of exports docketed for France, Holland and Belgium.

Even without these transhipments, Eastern Europe took nearly a third of the grain exports and Poland, with 277,289 tonnes, was the single biggest buyer of UK barley. Romania took 106,161 tonnes of wheat and East Germany 119,105 tonnes of barley.

Comparison with Ministry supply estimates indicated that only 435,000 tonnes of barley remain for export from commercial supplies (excluding intervention stocks), the HGCA added. The Ministry had estimated the 1980-81 UK barley surplus at 1.33m tonnes. But the Authority noted that the Ministry figure was widely believed to be too low because it had over estimated usage by maltsters and distillers and for animal feed.

Total EEC wheat exports reached 3.7m tonnes last week, the Common Market Commission reported. Of this 1.4m tonnes went to Eastern Europe (excluding the Soviet Union). The barley export total went to 2.36m tonnes. The figures cover the season that began on July 3.

● Argentine grain and oilseed output should rise to 50m tonnes in the next five or six years from this year's record crop of just over 30m tonnes, Argentine Minister of Agriculture, Mr. Jorge Zorreguieta, said in London yesterday.

The increase will reflect an expansion in acreage to 25m hectares from the current 20m and an improvement in yield to 2 tonnes a hectare from the current average 1.6 tonnes, he said.

Mr. Zorreguieta has been visiting Britain discussing a programme for technical co-operation in agriculture and food industries.

Argentina should export some 18m tonnes from this season's crop and 90 per cent of additional production will be available for export, he stated.

Copper market depressed

BY JOHN EDWARDS, COMMODITIES EDITOR

COPPER followed the downward trend in gold yesterday. Cash wirebars on the London Metal Exchange lost £8.75 to £772 a tonne. The market was depressed by persistent trade selling, which together with gold offset the early decline in sterling.

The fall in copper reflects the continued uncertainty in the market after two days of rising prices, but the London market was encouraged again by a rise in early trading in New York.

Meanwhile Anaconda, one of the leading U.S. copper producers, announced that it would no longer commit itself to forward copper sales on a monthly or long-term basis, reports Reuter.

The move stems from last summer's closings of the company's Montana smelter and refinery, according to Jim Mcnulty, heads the company's metal marketing division.

Anaconda now ships copper concentrates from its Butte, Montana, mine to Japan for refining.

But the agreement with the Japanese does not assure the company of a steady flow of refined copper for sale in the U.S. and makes it impossible to offer long-term sales commitments, Mr. Mcnulty said. "From time to time we may be a spot seller," he added.

In Paris, Pechiney Ugine Kuhlmann said growth in world demand for aluminium should resume in the second half of this year.

Deliveries of electrolised aluminium in 1981 are likely to be 2 per cent to 3 per cent up on 1980 levels in North America and 7 per cent higher than 1980 in the Far East, while in Europe they should remain slightly below 1980 levels, the company said in a survey of the outlook for the metal.

U.S. lead prices cut

SEVERAL other U.S. lead producers have followed the decision of Asarco on Monday to cut its domestic selling price to 30 cents a lb. This latest cut reflects the hard times that have hit the lead industry crippled by poor demand from its main customer—automotive battery manufacturers.

Boosted by exports to Communist-bloc countries lead prices soared in 1979 and opened 1980 at 55 cents a lb. They have declined steeply since, falling to 42 cents in September, 39 cents in mid-November and are beginning to drop again. Stocks on both sides of the Atlantic are reported to be abnormally high.

Domestic demand is so weak that neither government analyists nor producers are predicting that the bottom has yet been reached.

The slump in car sales has hurt lead demand. At one time replacement batteries composed three out of four of every battery sold, according to a spokesman for the automotive battery division of Gould Inc. Now, because of the high prices of new cars, Americans are keeping their old cars longer.

Syrup may cut U.S. sugar needs

PHOENIX—The U.S. could cut sugar import demand to 2m tonnes from a current level of 5m tonnes by 1985 as a result of planned increases in high fructose corn syrup production. Nick Osman, editor of the World Sugar Journal, warned here.

Speaking at an international colloquium on world sweeteners policy Mr. Osman estimated corn (maize) producers share of the U.S. sweetener market could rise to 48 per cent over the next four years, from 33 per cent at present.

Mr. Osman estimated that tremendous competition from corn millers is causing dramatic changes in the U.S. sugar industry as fructose corn syrups make inroads into the traditional sugar market.

He noted that a shift to high fructose is also taking place in Canada and Japan. He estimated that over the next four years Canada's sugar imports may be reduced by 300,000 to 400,000 tonnes while Japan might *import about 500,000 tonnes* less.

The London daily price for raw sugar was marked down yesterday morning by £11 to £235 a tonne. The cut reflected an early decline in futures as a result of forecasts of higher production and lower demand in 1980/81 limiting the forecast fall in stocks.

However futures rallied sharply in the afternoon wiping out earlier losses. The May position after falling to around £254 at one stage moved up strongly in later trading to close at £265.75 a tonne, £3.25 up on the previous close.

Cocoa futures values fall

By Our Commodities Staff

COCOA FUTURES prices fell back on the London market yesterday with the May position ending the day close to a 4½-year low at £867.5 a tonne, down £12.

In the absence of any significant fundamental factors to explain the decline, dealers attributed the fall to technical selling overnight by New York speculators. The effect of the U.S. decline on the London market was cushioned to some extent, however, by the weakness of sterling.

EEC FARM PRICE REVIEW

Commission faces farm income dilemma

BY LARRY KLINGER IN BRUSSELS

WHEN THE new European Commission sits down today to begin the annual review to determine the level of agriculture price rises for the coming year, it will be faced with a dilemma.

EEC farmers have recently experienced a drastic decline in income and many are suffering their worst economic difficulties in 20 years. Yet at the same time, the EEC money cupboard, *while not yet completely bare,* is not to be restocked with extra funds for agriculture.

The Commission is charged to restructure the EEC budget this year, and controlling the Common Agriculture Policy's costs is essential if the balance in overall expenditure is to be shifted away from the more than two-thirds still spent on farming.

The European Parliament has flatly said it will not approve any supplementary funds to guarantee prices, and has been supported in this by public opinion and statements from several EEC governments.

This year's price-support package must be worked out in the context of trying to contain spending at current levels and to curb future overproduction and the subsidies that support it.

Statistics due from the Commission this week will show a Community-wide drop in farmers' real incomes last year averaging nearly 9 per cent.

However, the Commission calculations do not include hired labour, rents and interest rates. When these costs are taken into account, says COPA, the EEC farmers' organisation, the true loss is 18.4 per cent.

The reason for the squeeze is not hard to identify. It is simply that costs—fuel, feeds, fertilisers, rents, labour and interest rates—have outstripped the prices farmers get for their produce.

The solution will be harder to find. For example, many farmers say that if prices are not raised sufficiently, their only recourse in the short term will be to try to produce more in order to boost incomes. This could add to the cost of the CAP, forcing the EEC to buy up and store greater surpluses or spend more on export subsidies.

The Commission, and eventually the Council of Agriculture Ministers, will be considering ways to dampen excessive overproduction, possibly through punitive levies. However, the consensus reached by member countries over the past 12 months towards making any new price rises self-financing will be severely tested.

"The Community is not there to set farmers' incomes," snapped one Commission official when pressed on the incomes issue. "It's there to protect the market and guarantee supply, to provide a safety net if the markets collapses."

Technically he was correct, at least in the terms of the priorities of the Community's written rules. But the CAP is also charged with trying to ensure a "reasonable" return for the efficient farmer and help bring his lagging colleagues up to his standards.

Furthermore, if the incomes situation continues to deteriorate, it might force a fundamental change in the CAP principle of common financing, with an even more extensive use of income aids at national level.

The issue is creating increasing problems within Community governments, as they try to reconcile the need for an efficient, financially sound CAP giving adequate protection to their farmers' standard of living.

France, for instance, is on record as wanting savings in EEC agriculture spending but full compensation for the rise in production costs.

Should these aims not be seen to be readily compatible, the French Government could be expected to delay a farm-price agreement until after the spring election.

The West Germans are also caught up in the dilemma. Some ministers, led by Herr Josef Ertl, who is responsible for agriculture, are in favour of price rises commensurate with the fall in incomes, but they seem to be outvoted by those more concerned with the cost to West Germany of CAP financing.

In Britain, where according to government estimates there was a 24 per cent drop in real incomes last year, there is a similar tug between the cost of guaranteed prices and the desire to restore standards of living.

Britain's National Farmers' Union, along with the other members of COPA, is calling for a 15.3 per cent increase in common support prices. And this, says the NFU, would not even be sufficient to restore real incomes to the levels of two years ago.

EEC FARMERS' INCOME AND THE FALL IN 1980

	THE COMMISSION* NET VALUE ADDED (Return on all capital and labour)	COPA* NET FARM INCOME (Return for farmer's labour, management and on his own capital)
Belgium	− 5.4%	− 7.4%
Denmark	−11.6%	−86.2%
France	−11.7%	−19.9%
Ireland	−19.3%	−33.5%
Italy	− 5.5%	−13.3%*
Netherlands	− 4.9%	− 8.3%*
UK	− 9.2%	−22.8%
W. Germany	−10.2%	−12.7%
EEC	− 8.9%	−18.4%

**The Commission computes only "net value added," whereas COPA, the EEC farmers' organisation, includes wage, rent and interest costs, except for Italy and the Netherlands, where, it says, adequate figures for rents and interest are not available. Source: Eurostat and COPA.*

BRITISH COMMODITY MARKETS

BASE METALS

COPPER—Easier in quiet trading on the London Metal Exchange, reflecting a further decline in gold. Forward metal opened around £799 and drifted back to £795 following the fall in gold. In the Rings heavy selling from one quarter depressed the price further to £792 but the market staged a good rally in the afternoon on the back of Comex, with three months finally on the late Kerb at £795.5, after £798. Turnover 22,575 tonnes.

COPPER	a.m. Official	+ or −	p.m. Unofficial	+ or −
	£	£	£	£
Wirebars				
Cash	766.5-7	−7	772-.5	−8.75
3 months	791-2	−5.25	796-.5	−7.5
Settlem't	767	−7	—	
Cathodes				
Cash	752-4	−8.25	758.5-9	−8.75
3 months	775-6	−6.5	779.5-80	−8.25
Settlem't	754	−8	—	......
U.S. Prod	—		*85	−7.25

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £768, 68, 67, three months £796, 95, 95.5, 94, 94.5, 94, 93.5, 93, 92.5, 92, 91.5. Cathodes, cash £754. Kerb: Wirebars, three months £792.5, 92, 93, 92.5. Cathodes untraded. Afternoon: Wirebars, cash £772.5, three months £796, 95.5, 95, 96. Cathodes, three months £779.5. Kerb: Wirebars, £796.5, 96, 95, 96.

TIN—Marginally firmer following the steadier trend on the Penang market. After opening at £6,020 three months dipped to 5,980, reflecting the fall in gold. The market then rallied short covering which took the price back to £6,020 before American selling and lack of interest prompted a close of £5,970 on the late Kerb. Turnover: 805 tonnes.

TIN	a.m. Official	+ or −	p.m. Unofficial	+ or −
High Grade	£	£	£	£
Cash	5875-85	+50	5850-60	+10
3 months	6015-20	+50	5980-6005	+20
Settlem't	5885	+50	—	......
Standard				
Cash	5875-85	+50	5850-60	+10
3 months	6015-20	+50	5980-6000	+20
Settlem't	5885	+58	—	......
Straits E.	†550.46	+0.07		......
New York	—	......		

Morning: Standard, cash £5,880, 90, three months £6,005, 10, 20. Kerb: Standard, three months £6,020, 15. Afternoon: Standard, three months £6,015, 10, 05, 6,000, 5,990. Kerb: Standard, three months £5,990, 70, 60, 65, 70.

LEAD—Little changed as three months dipped from £288 to £285, at which level good support was noted. Thereafter the price edged up to £290 and closed the late Kerb at £288. Turnover: 5,100 tonnes.

LEAD	a.m. Official	+ or −	p.m. Unofficial	+ or −
	£	£	£	£
Cash	275.5-7	......	277.8-5	−.75
3 months	288-.5	+1	287.5-8	+.5
S'ment	277	......	—	......
U.S. Spot	—	......	*30-2	......

Morning: Cash £278, 77.5, 77, 76.5. Three months £287, 87.5, 88, 89, 90, 88. Kerb: Three months £288, 88.5. Afternoon: three months £289, 89.5, 90, 89, 88.5. Kerb: three months £288.5, 89, 88.5.

ZINC—Steady with forward metal trading in a £3 range prior to closing the late Kerb at £318.5. Turnover: 16,025 tonnes.

ZINC	a.m. Official	+ or −	p.m. Unoffic'l	+ or −
	£	£	£	£
Cash	308.5-10.5	+1	309.5-10	−1.75
3 months	320.5-1	+.5	320.5-1	−1.75
S'ment	310.5	+1	—	......
Primw'ts	—	......	*41.5	......

Morning: Three months £321. Afternoon: Three months £321.5. Kerb: Three months £320.5, 20, 19.

ALUMINIUM—Barely changed as currency fluctuations saw three months move up to £625 before hedge selling prompted a close on the late Kerb of £319.5. Turnover: 6,300 tonnes.

Alumin'm	a.m. Official	+ or −	p.m. Unoffic'l	+ or −
	£	£	£	£
Spot	602-4	+7	604.5	......
3 months	622.5-3.5	+8.25	623-.5	+.5

Morning: Cash £604, three months £624, 24.5, 25, 24, 23. Kerb: Three months £623. Afternoon: Three months of £619.5. Turnover: 6,300 tonnes. 22, 21, 20, 18, 19, 19.5, 19.

NICKEL—Quiet with forward metal trading between £2,720 and £2,675 before ending the late Kerb at £2,695. Turnover: 648 tonnes.

...nil, nil; March 384, 388, nil, nil; May 385, 389, nil, nil; Aug. 387, 392, nil, nil. Sales: 17.

COCOA

Cocoa futures were £15 lower in an active opening call although this was not as weak as expected against the previous close in New York. Prices traded uncertainly within a narrow range throughout the rest of the day as trade support absorbed further Commission House selling. Physical business was scarce as producers withdrew from current levels and consumers for their part preferred to wait for new contract lows, reports Gill and Duffus.

COCOA	Yes'rday's Close	+ or −	Business Done
March	841-842	−12.0	842-833
May	867-868	−12.0	868-857
July	893-895	−12.0	894-884
Sept.	917-918	−9.0	918-905
Dec.	942-943	−13.0	944-935
March	966-967	−13.0	968-960
May	986-992	−10.0	—

Sales: 2,783 (2,694) lots of 10 tonnes.

ICCO Futures—Daily price for Feb. 2 92.94 (92.96); 5-day average 93.09 (93.22).

COFFEE

Early losses of £5-£10 were linked to late weakness in New York with the market tending to ignore a sharp decline in sterling against the dollar, reports Drexel Burnham Lambert. A featureless day saw the market trading in light volume that consisted of mainly switch and cross dealings in a narrow range together with arbitrage activity during the afternoon.

SILVER

GRAINS

WOOL FUTURES

African Yellow: Feb.-March 86.50, seller. Barley: English Feed fob: March 101.75 paid and seller East Coast. Rest unquoted.

HGCA—Locational ex-farm spot prices. Other milling wheat: W. Midlands 108.30. Feed barley: S. East 95.80, S. West 97.00. W. Midlands 94.10, N. West 97.00. The UK Monetary coefficient for the week beginning Monday, February 9 (based on HGCA calculations using five days exchange rates) is expected to change to 0.816.

RUBBER

SOYABEAN MEAL

SUGAR

POTATOES

PRICE CHANGES

COTTON

AMERICAN MARKETS

NEW YORK, February 3.
PRECIOUS METALS advanced on short covering in a heavily oversold market. Copper declined moderately on light producer selling and light long liquidation. Sugar moved strongy upward on technical buying followed by short covering. Cotton staged a major rally...

Live Hogs—Feb. 44.15-44.10 (43.75), April 46.60-46.65 (46.45), June 51.20-51.35, July 52.47, Aug. 52.00, Oct. 50.80, Dec. 54.15, Feb. 55.10, April 55.50.

‡‡Maize—March 364¼-364 (358¾), May 374½-375 (368½), July 380½-381, Sept. 376½-376¾, Dec. 372¾-372½...

Monday's closing prices

EUROPEAN MARKETS

ROTTERDAM, February 3.

Wheat—U.S. Two Dark Hard Winter 13.5 per cent Feb. $225, March $227, April $230, May $230. U.S. No Two Red Winter March $218, April $220, May $226. U.S. No Two Northern Spring 14 per cent March $239, April/May $217.50, May $217.50, June $218.50, July $219.50.

Maize—Spot $170, afl $168, Feb. $167.50, March $168, April/June $174.50, July/Sept. $178.50, Oct./Dec. $174.50, Jan./March $185.

Soyabeans—U.S. Two Yellow Gulfports March $308, April $311.75, May $316.50, June $320, July $322.50, Oct. $326.75, Nov. $327.50 sellers. March $304, April $309.50, Oct. $326.25, Nov. $325.50 paid.

Soyameal—44 per cent protein U.S. afl $267, Feb. $269, March $274.50, April $277, April/Sept. $289, Nov./March $300. Brazil Pellets afl Jan./Feb. $287, March $287.25, April $292.25, April/June $294.50, April/Sept. $298.

PARIS, February 3.

Cocoa (FFr per 100 kilos)—March 945, May 980/85, July 990, Sept. 1026/40, Dec. 1065/70, March 1087/95. Sales at call.

Sugar (FFr per tonne)—March 3225/30, May 3176/79, July 3140/70, Aug. 3140/50, Oct. 3030/80, Nov. unquoted, Dec. 2840/90, March 2780/2850. Sales at call 4.

INDICES

FINANCIAL TIMES

Feb. 2	Jan. 30	Month ago	Year ago
252.34	251.88	263.97	309.32

(Base: July 1, 1952=100).

DOW JONES

Dow Jones	Feb. 2	Jan. 30	Month ago	Year ago
Spot	418.64	420.85	443.72	455.56
Fut'rs	437.04	459.93	466.18	467.97

(Average 1924-25-26=100)

MOODY'S

Feb. 2	Jan. 30	Month ago	Year ago
1160.2	1161.1	1233.6	1422.4

(December 31, 1931=100)

REUTERS

Feb. 3	Feb. 2	M'nth ago	Year ago
1676.5	1680.0	1729.5	1931.5

(Base: September 18, 1931=100)

Equity leaders advance strongly after bond rate fall

Index closes 9.0 up—Gilts quieter but also higher

Account Dealing Dates

Option

*First Dealings	Declarations	Last Dealings	Account Day
Jan. 26	Feb. 5	Feb. 6	Feb. 16
Feb. 9	Feb. 26	Feb. 27	Mar. 9
Mar. 2	Mar. 12	Mar. 13	Mar. 23

* "New time" dealings may take place from 9 am two business days earlier.

Hopes of an early lowering of interest rates remained the driving force in London stock markets, and the prospect of a reduction tomorrow in Minimum Lending Rate, currently 14 per cent, was further enhanced by yesterday's fall in the Local Authority yearling bond rate to 12¾ per cent, its lowest level for 16 months. Other influences were again deemed to be of secondary importance, but neither of the two main investment sectors gave any early sign of the improvement to come.

Leading shares appeared to be in need of a fresh stimulant, despite the Governor of the Bank of England's reported view that the end of the world recession may be in sight. Gilt-edged securities also began cautiously but improved later on revived optimism about interest rates. Institutional support was then drawn to selected Electricals, which are expected to benefit from Telecom's proposed ambitious investment programme, and the rise in this sector again influenced other leading industrials.

Sentiment was unaffected by the early-afternoon announcement of the first stock broking failure in nearly six years, and most equity leaders continued to advance in the unofficial business after 3.30 pm. As a result, the FT Industrial Ordinary share index extended a gain of only 0.9 at noon to one of 9.0 at the close of 476.6. Of the index constituents, GEC and Plessey recorded double-figure gains with GEC rising 20 to a 1980-81 peak of 635p.

Barclays dull

The level of trade in Government securities fell short of recent standards, but investment demand was sufficient to raise longer-dated stocks by ¼, and slightly more in selected instances. The absence of any sizeable selling was noticeable and tended to impress, particularly in view of the heavy offtake of stock since the middle of last week. Business was largely directed at longer maturities with the shorts labouring to make modest gains.

The strength of the underlying securities prompted a better business in Traded options. A total of 1,293 contracts were completed, of which Lonrho, with 638, accounted for about a half. Particular attention was paid to the Lonrho May 120s and August 120s which attracted 135 and 138 deals respectively, while Racal were active with 167 trades completed.

The major clearing banks, still overshadowed by the possibility of a windfall profits tax, encountered fresh offerings at the outset. With the notable exception of Barclays, which ended 9 down at 385p, closing levels were well above the worst, Lloyds finishing only a penny cheaper on balance at 325p, after 320p, while NatWest closed just 2 off at 368p, after 365p. Midland dipped to 316p before rallying to close a net 2 dearer at 320p. Selected Hire Purchase issues made progress on continuing hopes of lower interest rates, London and Scottish Finance rising 7 to 60p and First National Finance adding 2 to 29½p. Elsewhere, Commercial Bank of Wales shed 10 to 73p on the company's failure to acquire full status as a bank.

Gussies firm

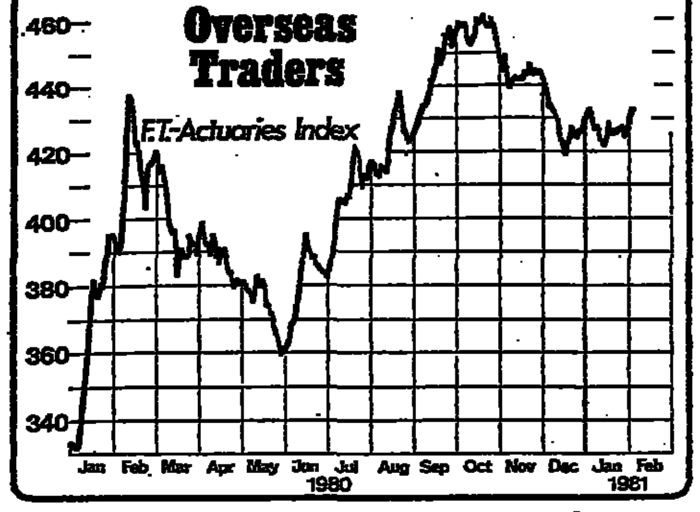
Movements of note in Breweries were mainly confined to regional counters. Vaux rose 4 to 151p, while Belhaven continued to draw strength from a Press tip and rmed 2 more to 36p.

Leading Building issues followed the general trend, Blue Circle firming 4 more to 356p and Redland 3 to 165p. Barratt Developments added 5 for a two-day gain of 12 to 172p on cheaper money hopes, while news of two major contracts, worth £23m, left Fairclough Construction 3 dearer at 76p. William Leach found support and improved 4 to 82p and M. J. Gleeson added a penny to 70p, the latter following a favourable Press mention.

Although business in ICI was small, the price improved 4 to 294p. After opening around 9 lower on adverse Press comment, Fisons picked up to close only 4 cheaper on balance at 118p. William Ransom, a thin market, shed 10 to a 1980-81 low of 180p.

Institutional buyers prompted some useful gains among Store leaders. Gussies A closed 13 better at 493p, after 495p, while Marks and Spencer touched a 1980-81 peak of 122p before settling for a net rise of 3 at 121p. Mothercare, 220p and British Home, 147p, added 6 and 3 respectively. Profit-taking led to sizeable falls in Polly Peck, 10 lower at 170p, and Peters, 8 off at 90p, but Sumrie Clothes firmed 2 to 32p following the announcement that Mr. Harvey Michael Ross has increased his stake in the company to 7 per cent. Austin Reed A shed 6 to 82p after acquisition news which dented recent takeover hopes; while the interim deficit and nominal dividend clipped 1½ from Steinberg, 12½p.

Selected Electricals encountered a useful demand on hopes that they will benefit from the Government's decision to allow British Telecom to borrow direct from institutions to fund its investment programme. GEC were outstanding in the leaders with a rise of 20 at 635p, while



Plessey advanced 11 to 294p and Racal 13 to 335p. In contrast, Unitech fell to 224p following the interim figures and forecast that annual profits are likely to fall short of last year's level before closing 21 down on balance at 231p. In sympathy, Electrocomponents reacted 15 to 665p, after 650p, and Farnell 7 to 353p, after 345p.

Already a firm market following reports of a brokers' seminar with the company, John Brown improved further to close 9 up at 71½p after the announcement of a £35m Iraqui contract. Other leading Engineers traded on a quietly firm note. Renewed support lifted Simon 8 more to 294p, while the encouraging tenor of the annual report encouraged recovery hopes in Danks Gowerton, 6 higher at 25p. Press mention stimulated buying interest in Walker and Staff which advanced 8 to 25p. Dealings were temporarily suspended in Alcan Aluminium (UK) at 52p, talks are taking place with Alcan Aluminium which may lead to an offer for the ordinary shares not already owned by the parent company.

Secondary issues again provided the main points in Foods. Avana's announcement that it may sell some, or all, of its 6 per cent holding in Robertson caused a certain amount of confusion; a subsequent statement from Avana's managing director, confirming that the company's *share exchange bid was "definitely on"* left Robertson 4 up at 152p, after 155p, and Avana a net 2 firmer at 202p, after 208p. Renewed speculative support lifted Cullens Ordinary 12 to 206p, but the A added just 2 to 188p, while small buying in a thin market left J. J. Lees 7 up at 44p. William Morrison put on 11 to 213p.

Up 18 on Monday on speculative buying, Prince of Wales Hotel touched 85p before closing a penny cheaper on balance at 80p. Kennedy Brookes, still responding to the excellent annual results, added 3 afresh to 92p. Ladbroke firmed 5 for a two-day gain of 14 to 263p.

Prestige Group up

A revival of selective investment demand enabled leading miscellaneous issues to make progress. Beecham were noteworthy for a rise of 7 at 179p along with Glaxo which improved 8 to 274p. Elsewhere, better-than-expected annual results left Prestige Group 8 to the good at 131p, but the forecast of a significant loss in the first half of the current year prompted dullness in Avon Rubber which dropped 7 to 81p. Revived demand lifted Aeronautical and General 25 to 355p. Reflecting news of the £3.28m Finish contract, Vinten firmed 8 to 182p. Other bright spots included Davies and Newman, 9 to the good at 110p, and Chubb, 6 dearer at 75p. Comment on the *demerger proposal caused weakness* in J. F. Nash which fell 8 to 40p, while ICL closed 3 lower at 42p following the statement on current trading at the annual meeting. Lower interim profits left Cowan de Groot 2 off at 53p. Diploma came on offer at 162p, down 7, along with Associated Communications, 5 cheaper at 47p. Lesney eased 3 more to 13p on renewed offerings, while fading bid hopes left Barget down a further 5 at 135p.

Motor Distributors attracted steady support and closed with modest gains. Datsun dealers were to the fore following Press comment and T. Cowie rose 3½ to 33p, while Glanfield Lawrence added 2 to 32p. Similar rises were seen in Henlys, 73p, Arlington, 87p, and Harold Perry, 75p, while speculative attention was again directed towards Caffyns, 6 better for a two-day gain of 10 at 136p. Elsewhere, ERF improved 4 more to 47p on recovery hopes.

Oils remain quiet

Paper manufacturers William Sommerville fell 4 to 54p following the first-half loss.

After opening a touch easier, Properties picked up again on cheaper money hopes to close with modest gains, Land Securities finishing 2 dearer at 386p, after 380p, and MEPC reverting to 234p, after 232p. Among secondary issues, Land Investors added a couple of pence to 56p on a broker's circular, while Apex, interim results tomorrow, hardened the same amount to 158p. Interest was shown in North British Properties, which put on 5 to 161p.

Oils remained quiet and failed to participate in the general advance in equities, but the underlying tone held reasonably steady with the leaders closing little changed.

Lonrho continued to make progress in front of tomorrow's preliminary results and ended 2 harder at 104p.

Centreway Trust again featured otherwise subdued Financial Trusts, rising 10 for a two-day gain of 25 at 115p.

Shippings plotted an irregular course in quiet trading. Milford Docks picked up 3 more to 128p, but Walter Runciman, 125p, lost 3 of the previous day's gain of 9.

Golds down again

Mining markets remained in *the doldrums as the bullion price* weakened $8 more to $488.50 an ounce.

South African Golds were marked down at the outset, in line with the bullion price, and moved narrowly either way before steadying in the afternoon.

However, the after-hours' trade brought renewed selling, mainly from the U.S., and in many cases share prices failed to hold their afternoon levels. The Gold Mines index fell 7.1 to 284.2.

In the heavyweights, losses extended to ¾ as in Western Holdings, £26½, while Randfontein closed ¼ off at £24¼, having been as low as £23¾ earlier.

The marginal stocks were particularly vulnerable with East Rand Proprietary 61 down at a 1980-81 low of 664p and Durban Deep 41 cheaper at 674p.

London issues also got off to a poor start but staged a rally aided by the firmness of the UK equity market.

Australians performed well in view of the continued weakness in overnight domestic markets. Golds came under renewed pressure but the leading base-metal producers generally held steady in quiet trading.

Among Golds, GMK showed a 10 fall to 340p and Kitchener gave up 15 to 150p while Whim Creek dipped 4 to a 1980-81 low of 54p.

The technical problems in the Woodada 3 well depressed Strata shareholders Haoma and North West Mining which relinquished 10 and 12 to 112p and 70p respectively.

Firm tins reflected good demand in Singapore and Kuala Lumpur markets. Berjuntal added 20 at 280p while Ayer Hitam rose 15 to 285p.

FINANCIAL TIMES STOCK INDICES

	Feb. 3	Feb. 2	Jan. 30	Jan. 29	Jan. 28	Jan. 27	Year ago
Government Secs.	69.59	69.28	69.21	69.09	[illegible]	69.04	[illegible]
Fixed Interest	70.95	70.97	70.95	70.48	70.57	[illegible]	[illegible]
Industrial Ord.	476.6	467.6	466.5	465.1	459.4	467.6	[illegible]
Gold Mines	284.2	291.5	293.2	281.4	305.6	[illegible]	[illegible]
Ord. Div. Yield	7.48	7.62	7.64	7.71	7.76	[illegible]	7.30
Earnings, Yld. % (full)	16.75	17.05	17.22	17.58	17.50	[illegible]	[illegible]
P.E Ratio (net) (*)	7.51	7.18	7.10	7.04	6.99	[illegible]	[illegible]
Total Bargains	21,512	21,746	17,715	18,518	20,099	[illegible]	19,167
Equity turnover £m.	—	108.22	103.91	118.90	111.84	[illegible]	[illegible]
Equity bargains total	—	15,399	13,161	15,990	14,888	[illegible]	[illegible]

10 am 469.1. 11 am 468.5. Noon 469.6. 1 pm 473.4.
2 pm 473.6. 3 pm 474.5.
Latest Index 01-246 8026.
*Nil=6.75.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1980/81 High	1980/81 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	72.54 (21/7/80)	63.85 (7/1/80)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	74.08 (24/7/80)	64.70 (18/3/80)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	515.9 (21/11/80)	406.9 (3/1/80)	558.6 (4/5/79)	49.4 (26/6/40)
Gold Mines	558.9 (22/9/80)	265.5 (18/6/80)	558.9 (22/9/80)	43.5 (26/10/71)

S.E. ACTIVITY

	Feb. 3	Feb. 2
—Daily		
Gilt Edged	142.1	[illegible]
Industrials	97.4	[illegible]
Speculative	30.8	[illegible]
Totals	68.5	[illegible]
5-day Avrge.		
Gilt Edged	118.9	[illegible]
Industrials	90.4	[illegible]
Speculative	[illegible]	[illegible]
Totals	65.6	64.1

NEW HIGHS AND LOWS FOR 1980/81

The following shares quoted in the Share Information Service yesterday attained new Highs and Lows for 1980-81.

NEW HIGHS (53)

BRITISH FUNDS (7)
Excher. 9¼pc 1981; Exchqr. 3pc 1981; Treas. 8¼pc 1982; Excher. 9¼pc 1982; Exchqr. 8¼pc 1983; Exchqr. 3pc 1983; Treas. 3pc 1985 A

BANKS (1)
Lond. Scot. Fin.

BUILDINGS (8)
Barratt Dev.; Carr (J.); Francis Parker; Gleeson (M. J.); Mowlem; Streeters Godalming; Tunnel B; Ward Hldgs. Defd.

STORES (2)
Brown (N.); Marks & Spencer

ELECTRICALS (3)
Ferranti; GEC; Plessey

ENGINEERING (3)
Firth (G. M.); Hall (M.); Staveley Inds.

FOODS (6)
Cullen's; Cullen's A; Hazlewood; Morrison (Wm.); Northern Foods; Nurdin & Peacock

HOTELS (2)
Kennedy Brookes; Ladbroke

INDUSTRIALS (5)
Crest Nicholson; Erskine House; Portals; Smith & Nephew; Ward (T. W.)

INSURANCE (1)
Sun Life

PROPERTY (4)
Kent (M. P.); North Brit. Props.; Raglan Prop.; Rosehaugh

TEXTILES (4)
Hield Brothers; Leeds Dyers; Notts. Manufacturing; Textured Jersey

TRUSTS (2)
M. & G. Hldgs.; Parambe

OIL & GAS (1)
ORE

RUBBERS (1)
Kuala Kepong

MINES (2)
Patino NV; Killinghall

NEW LOWS (38)

AMERICANS (1)
Pennzoil

CHEMICALS (2)
Fisons; Ransom (Wm.)

ELECTRICALS (1)
Chloride

ENGINEERING (5)
Abwood; Adwest; Ductile Steels; [illegible]; Priest (Ben.)

INDUSTRIALS (11)
Blundell-Permoglaze; Bodycote Int.; Cowan de Groot; Elson & Robbins; Grimshawe; London & Liverpool; [illegible]

NEWSPAPERS (1)
Pearson Longman

TEXTILES (1)
Sekers

RUBBERS (1)
Grand Central

MINES (14)
Durban Deep; East Rand Prop.; West Rand; Bracken; Leslie; Vlakfontein; Deelkraal; [illegible]; Whim Creek; [illegible]

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	[illegible]	1	18
Corpns. Dom. and Foreign Bonds	[illegible]	[illegible]	[illegible]
Industrials	[illegible]	[illegible]	[illegible]
Financial and Prop.	[illegible]	[illegible]	[illegible]
Oils	[illegible]	[illegible]	[illegible]
Plantations	[illegible]	4	14
Mines	40	[illegible]	[illegible]
Others	[illegible]	71	[illegible]
Totals	[illegible]	[illegible]	[illegible]

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1980-81 high	1980-81 low
Racal Electronics	25p	10	335	+13	370	175
GEC	25p	9	635	+20	635	326
ICI	£1	9	294	+ 4	402	282
Unitech	10p	8	231	−21	364	195
First Nat. Fin'ce	10p	7	29½	+ 2	34½	9¼
GKN	£1	7	145	+ 3	279	133
Plessey	50p	7	294	+11	294	108
Shell Transport	25p	7	428	—	522	314
Beecham	25p	6	179	+ 7	179	108
RTZ	25p	6	378	+ 5	486	322
BPB	50p	5	236	—	252	148
Courtaulds	25p	5	54	+ 3	87	49
Fisons	£1	5	118	− 4	304	113
Ladbroke	10p	5	263	+ 5	263	122
Lonrho	25p	5	104	+ 2	120	72

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Feb. 2	Feb. 13	May 14	May 26
Feb. 16	Feb. 27	May 28	June 8
Mar. 9	Mar. 20	June 11	June 22

For rate indications see end of Share Information Service

Money was given for the call in Lincroft Kilgour, Sovereign, London Investment Trust, Amalgamated Power, Phoenix Timber, Turner and Newall, Loraine, Endeavour, Lonrho, BP, Woodside, R. P. Martin, Montague L. Meyer and FNFC. No puts were reported, but doubles were taken out in Lonrho and Racal.

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tues., Feb. 3, 1981 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Mon. Feb. 2 Index No.	Fri. Jan. 30 Index No.	Thurs. Jan. 29 Index No.	Wed. Jan. 28 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (211)	292.66	+1.5	14.40	5.63	8.46	288.33	287.06	283.75	283.06	233.64
2	Building Materials (26)	257.13	+0.5	18.16	6.72	6.57	255.86	254.54	253.92	255.04	227.56
3	Contracting, Construction (26)	441.03	+0.6	20.68	5.76	5.81	438.33	432.21	429.40	430.40	352.69
4	Electricals (27)	982.22	+2.7	9.25	2.66	13.32	956.56	958.87	938.78	932.57	596.50
5	Engineering Contractors (11)	393.23	+0.6	15.16	6.58	8.41	390.90	384.97	382.88	384.93	284.86
6	Mechanical Engineering (71)	169.83	+0.8	17.23	7.83	7.26	168.45	167.28	166.16	165.09	161.86
8	Metals and Metal Forming (13)	133.39	+0.5	19.77	12.52	6.41	132.73	130.27	127.61	127.61	159.95
9	Motors (21)	87.03	+0.8	22.06	9.60	5.22	86.31	86.56	85.58	85.57	111.63
10	Other Industrial Materials (16)	291.39	+0.9	15.73	7.37	7.56	288.72	285.22	286.52	287.47	0.00
21	CONSUMER GROUP (198)	242.86	+1.1	15.70	6.51	7.72	240.18	239.15	238.37	237.59	216.76
22	Brewers and Distillers (20)	265.32	+0.5	17.57	6.90	6.75	263.97	262.91	264.70	263.32	250.09
25	Food Manufacturing (23)	216.97	+0.3	18.12	7.30	6.55	216.24	214.51	213.60	213.42	198.45
26	Food Retailing (14)	458.72	+0.6	10.17	3.49	11.62	455.99	455.90	455.49	456.40	294.17
27	Health and Household Products (7)	265.74	+3.2	10.01	5.37	11.87	257.62	255.71	253.85	252.37	204.69
29	Leisure (22)	348.81	—	16.03	6.56	7.69	348.83	347.53	346.11	348.88	297.01
32	Newspapers, Publishing (12)	434.18	+1.2	21.02	7.18	6.17	428.96	424.56	424.76	424.76	434.38
33	Packaging and Paper (15)	115.06	+1.4	27.93	10.55	4.15	113.50	113.67	112.97	112.66	128.81
34	Stores (44)	255.49	+1.7	11.64	4.93	11.25	251.17	250.41	248.44	246.94	215.75
35	Textiles (21)	128.11	+1.8	20.05	10.53	6.52	125.80	125.72	124.45	124.23	128.30
36	Tobaccos (3)	212.38	+0.7	27.02	10.96	4.21	210.89	209.39	209.39	206.86	213.59
39	Other Consumer (17)	232.22	−0.4	16.42	9.20	7.45	233.20	232.42	233.64	237.49	0.00
41	OTHER GROUPS (79)	212.32	+0.6	18.52	8.04	6.46	211.15	210.75	209.71	209.33	202.16
42	Chemicals (15)	276.87	+0.7	21.13	9.58	5.54	274.86	276.08	273.90	272.53	297.01
44	Office Equipment (6)	101.74	+0.9	18.30	8.16	6.48	100.82	100.66	99.75	99.80	117.43
45	Shipping and Transport (13)	542.72	+0.1	14.00	6.78	8.76	542.35	541.27	538.46	539.60	446.02
46	Miscellaneous (45)	259.24	+0.4	17.09	6.57	7.20	258.11	255.56	255.55	255.57	240.28
49	INDUSTRIAL GROUP (488)	256.25	+1.2	15.62	6.40	7.76	253.27	252.25	250.62	249.92	224.14
51	Oils (12)	882.00	+0.1	27.23	5.96	4.09	881.25	883.02	875.14	880.42	730.66
59	500 SHARE INDEX	305.78	+0.9	18.22	6.30	6.46	302.96	302.16	300.04	299.81	264.24
61	FINANCIAL GROUP (118)	239.66	+0.1	—	5.57	—	239.33	240.09	239.26	238.29	193.00
62	Banks (6)	230.66	−0.9	44.35	7.40	2.70	232.71	239.25	239.89	240.37	221.34
63	Discount Houses (10)	306.56	−0.4	—	5.87	—	307.66	304.36	303.50	304.65	239.61
64	Hire Purchase (5)	218.10	+0.2	10.42	4.70	12.65	217.72	216.54	210.14	209.55	180.20
65	Insurance (Life) (10)	258.11	+0.2	—	5.11	—	257.69	254.66	253.17	252.80	164.74
66	Insurance (Composite) (9)	154.23	+1.0	—	7.59	—	152.72	151.92	150.50	148.97	128.46
67	Insurance Brokers (9)	319.87	+1.8	14.26	7.24	9.59	314.29	312.44	311.51	310.59	284.63
68	Merchant Banks (13)	147.38	−0.3	—	5.25	—	147.77	147.70	147.46	146.23	99.89
69	Property (45)	462.73	+0.3	3.21	2.67	43.28	461.26	460.55	459.65	456.85	352.37
70	Miscellaneous (11)	171.16	−0.5	16.02	5.41	7.93	172.06	173.43	173.13	172.74	127.90
71	Investment Trusts (109)	275.33	−0.4	—	5.50	—	276.35	275.70	275.15	275.90	214.77
81	Mining Finance (3)	206.57	+0.8	15.88	6.49	7.50	204.98	208.65	205.92	214.83	199.15
91	Overseas Traders (20)	432.33	+0.5	11.88	6.80	10.25	430.05	425.51	423.95	426.33	389.51
99	ALL-SHARE INDEX (750)	291.35	+0.7	—	6.13	—	289.33	288.97	287.20	287.21	247.91

FIXED INTEREST PRICE INDICES

	British Government	Tues. Feb. 3	Day's change %	Mon. Feb. 2	xd adj. today	xd adj. 1981 to date
1	Under 5 years	107.98	+0.10	107.87	—	0.89
2	5-15 years	110.08	+0.28	109.77	—	1.45
3	Over 15 years	114.52	+0.28	114.20	—	0.52
4	Irredeemables	128.78	—	128.78	—	0.00
5	All stocks	110.60	+0.22	110.36	—	0.91

	FIXED INTEREST YIELDS British Govt. Av. Gross Red.		Tues. Feb. 3	Mon. Feb. 2	Year ago (approx.)
1	Low Coupons	5 years	11.55	11.59	12.61
2		15 years	12.21	12.27	12.61
3		25 years	12.31	12.36	12.61
4	Medium Coupons	5 years	13.34	13.38	14.92
5		15 years	13.78	13.82	14.21
6		25 years	13.56	13.60	14.13
7	High Coupons	5 years	13.30	13.33	15.39
8		15 years	14.02	14.06	14.71
9		25 years	13.79	13.82	14.41
10	Irredeemables		11.49	11.48	11.64

		Tuesday, Feb. 3 Index No.	Yield %	Mon. Feb. 2	Friday Jan. 30	Thurs. Jan. 29	Wed. Jan. 28	Tues. Jan. 27	Mon. Jan. 26	Fri. Jan. 23	Year ago (approx)
15	20-yr. Red. Deb. & Loans (15)	52.12	†14.20	52.17	52.15	52.06	52.05	52.08	52.03	52.04	51.67
16	Investment Trust Prefs. (15)	50.69	13.35	50.69	50.69	50.69	50.83	50.65	51.35	51.35	48.13
17	Coml. and Indl. Prefs. (20)	68.09	13.19	68.04	68.04	67.92	68.17	68.10	68.10	68.10	61.83

† Redemption yield. Highs and lows record base dates and values and constituent changes are published in Saturday issues. A new list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 25p.

RECENT ISSUES

EQUITIES

Issue Price p‡	Amount Paid Up	Latest Renunc. Date	1980/81 High	1980/81 Low	Stock	Closing Price p‡	+ or −	Div. p. or Amount	Times Covered	Gross Yield	P.E. Ratio
58	F.P.	6/2	335	285	✱Amer. Comm. Inds.	285	......	—	—	—	—
$100	F.P.	6/2	£241½	£236½	✱Do. Notes 20%	£236½	......	Q20%	—	22.8	—
610	F.P.	—	650	600	✱Cramphorn	650	......	15.5	2.1	3.6	18.6
64	F.P.	—	7½	6½	✱Dunton 5p	7½	......	—	—	—	—
107‖	F.P.	12/1	134	115	Independent Inv. 25p	122	+2	—	—	—	—
70	F.P.	9/1	100	78	✱Midland Marts	95	......	b3.75	3.0	5.6	12.7
100	F.P.	23/1	116	97	New Tokyo Inv Tst 50p	112	−1	—	—	—	—
§§	F.P.	—	14	12	✱Parkfield Foundri's	13½	......	0.88	6.4	9.3	2.4
50	F.P.	21/1	52	47	††Pennine	50	−1	—	—	—	—
81½	F.P.	16/2	105	98	Sonic Sound Audio 10p	98	......	b4.48	1.9	6.5	9.5
**	F.P.	9/2	80	72	Westpool Inv. Defd	80	......	—	—	—	—

FIXED INTEREST STOCKS

Issue price £	Amount Paid Up	Latest Renunc. Date	1980/81 High	1980/81 Low	Stock	Closing Price £	+ or −
‖	F.P.	14/1	111	100½	Allied London 8¼% Cnv. Uns. Ln. 1999	104	+½
¶	F.P.	26/2	107¾	106½	Chester Waterworks 9% Red. Pref. 1985	107½	......
100p	F.P.	28/1	106½p	102p	Comben 11.375% Cum. Red. Pref.	105p	......
‖	Nil	12/2	10pm	6½pm	Crystalate 9¾% Cnv. Uns. Ln. '99-2000	9½pm	−½
¶	F.P.	26/2	107¾	106½	East Anglian Water 9% Red. Pref. 1986	107½	......
¶	F.P.	26/2	107½	105¾	East Worcester 9% Red. Pref. 1985	107½	......
¶	F.P.	26/2	105	104½	Essex Waterworks 8½% Red. Prf. 1985	104½	......
96	£20	27/3	21¼	20¾	Iceland 14½% 2016	21¼	......
£100	£50	30/4	46	41	Lon. Merchant Secs. 7¾% CvUnsLn 2000-05	45	......
99	F.P.	25/5	101	98¾	Mid-Sussex W'rw'ks 14% Red. Deb. 186-88	101	......
‖	F.P.	20/1	119p	107p	Paterson (R.) 11½% Cum. Cnv. Prf.	119p	......
‖	Nil	13/2	18pm	13pm	Portals 9½% Cnv. 1994-2000	17pm	−½
**	F.P.	21/1	100p	97p	Standard Industrial 11½% Pref	98p	......

"RIGHTS" OFFERS

Issue Price p‡	Am'unt paid up	Latest Renunc. Date ●	Latest Renunc. Date ■	1980/81 High	1980/81 Low	Stock	Closing price p‡	+ or −
30	Nil	6/2	27/2	7½pm	4½pm	Benlox	4½pm	......
115	F.P.	12/1	25/2	141½	134	Brotherhood P.	141	......
45	Nil	18/2	13/3	15pm	8pm	Hampton Trust	10½pm	+½
184	F.P.	29/1	13/3	200	188	Johnson, Matthey	197	−3
140	F.P.	19/12	30/1	178½	146	KCA Intnl.	166	−6
$A1.06	55 cts	—	—	75	31	North Kalgurli Mines	31	......
60	Nil	16/2	27/3	13pm	11pm	Norcros	13pm	......
28	F.P.	21/1	13/2	28	24	Prestwich Parker	26	......
320	F.P.	23/1	20/3	367	330	Royal Insurance	355	......
60	F.P.	9/1	13/2	76	67	Security Centres	76	......
145	F.P.	19/1	16/2	210	174	Warren Plants	204	−6

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimate. *g* Assumed dividend and yield. *u* Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimate for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. p‡ Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ‖‖ Introduction. □ Issued to partly-paid allotment letters. ★ With warrants. †† Dealings under special Rule. ✱ Unlisted Securities Market. ‡‡ London Listing. ‡ Resulting from debt settlement scheme. ¶¶ Units comprising 125 A Ord. & 6 12½% Cum. Pref.

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

Frankfurt Trust Investment—GmbH
Neue Mainzer Strasse 74-76, D-6000 Frankfurt
FT-Interzins | DM17.62 | 41.11 | ..... | —
Frankft. Effekt. Fd. | DM49.22 | 51.81 | ..... | —

Free World Fund Ltd.
Butterfield Bldg., Hamilton, Bermuda.
NAV Dec. 31 | US$152.19 | ..... | —

G.T. Management Ltd.
Park Hse., 16 Finsbury Circus, London EC2
Tel: 01-628 8131. TLX: 886100
London Agents for:

Anchor 'B' Units	US$1.76	1.82	.....	2.10
Anchor Gilt Edge	£9.20	9.27	−0.04	13.70
Anchor Int. Fd.	US$8.41	8.84	.....	1.19
Anchor In. Jsy. Tst.	39.5	42.2	.....	2.84
Berry Pac Fd.	US$62.40		.....	0.88
Berry Pac Strlg.	£3.27	3.41	.....	1.19
G.T. Asia Fd.	HK$21.09		.....	1.19
G.T. Asia Sterling	£26.17	27.24	.....	1.53
G.T. Australia Fd.	A$36.69	38.95	.....	0.77
G.T. Bond Fund	US$12.00		+0.06	10.83
G.T. Dollar Fd.	US$12.92		.....	1.76

[illegible]

Kleinwort Benson Group
20, Fenchurch St., EC3. 01-623 8000
Guernsey Inc. | 84.6 | 89.7 | ..... | 5.33
Do. Accum. | 114.5 | 121.4 | ..... | 5.33
K.B. Eurobond Fd. | £8.71 | 8.81 | ..... | [illegible]
K.B. Far East Fd. | US$26.30 | | ..... | 1.52

[illegible]

Save & Prosper International
Dealing to:
P.O. Box 73, St. Helier, Jersey

[illegible]

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)

[illegible]

Allen Harvey & Ross Unit Tst. Mngrs.

[illegible]

Allied Hambro Ltd. (a) (g)

[illegible]

Anderson Unit Trust Managers Ltd.

[illegible]

Ansbacher Unit Mgmt. Co. Ltd.

[illegible]

Arbuthnot Securities Ltd. (a)(c)

[illegible]

Archway Unit Tst. Mgs. Ltd.

[illegible]

Barclays Unicorn Ltd. (a)(c)(g)

[illegible]

Baring Brothers & Co. Ltd.

[illegible]

Bishopsgate Progressive Mgmt. Co.

[illegible]

Bridge Fund Managers (a)(c)

[illegible]

Britannia Trust Management (a) (c) (g)

[illegible]

The British Life Office Ltd. (a)

[illegible]

Brown Shipley & Co. Ltd.

[illegible]

Canada Life Unit Tst. Mngrs. Ltd.

[illegible]

Capel (James) Mngt. Ltd.

[illegible]

Carl. Sebag Unit Trust Managers (a)

[illegible]

Clarison Charities N/R Funds

[illegible]

Charities Official Invest. Fund

[illegible]

Chieftain Trust Managers Ltd. (a)(g)

[illegible]

Confederation Funds Mgt. Ltd. (a)

[illegible]

Cosmopolitan Fund Managers

[illegible]

Crescent Unit Tst. Mgrs. Ltd. (a)(g)

[illegible]

Darlington Unit Trust Mngt. Ltd.

[illegible]

Discretionary Unit Fund Managers

[illegible]

E. F. Winchester Fund Mngt. Ltd.

[illegible]

Emson & Dudley Tst. Mngmt. Ltd.

[illegible]

Equity & Law Un. Tr. M. (a)(b)(c)

[illegible]

Fidelity International Management Ltd.

[illegible]

James Finlay Unit Trust Mngt. Ltd.

[illegible]

Framlington Unit Mgt. Ltd.

[illegible]

Friends' Provdt. Trust Mgrs. (a) (b) (c)

[illegible]

Funds in Court

[illegible]

G.T. Unit Managers Ltd.

[illegible]

G. & A. Trust (a) (g)

[illegible]

Gartmore Fund Managers (a)(g)

[illegible]

Gibbs (Antony) Unit Tst. Mgs. Ltd.

[illegible]

Govett (John)

[illegible]

Grieveson Management Co. Ltd.

[illegible]

Guardian Royal Ex. Unit Mgrs. Ltd.

[illegible]

Henderson Administration (a) (b) (c)

[illegible]

Hill Samuel Unit Tst. Mgrs. (a)

[illegible]

Investment Intelligence Ltd.

[illegible]

Key Fund Managers Ltd. (a)(g)

[illegible]

Kleinwort Benson Unit Managers

[illegible]

L & C Unit Trust Management Ltd.

[illegible]

Legal & General Tyndall Fund

[illegible]

Leonine Administration Ltd.

[illegible]

Lloyds Bk. Unit Tst. Mngrs. Ltd. (a)

[illegible]

Lloyd's Life Unit Tst. Mngrs. Ltd.

[illegible]

Local Authorities' Mutual Invest. Tst.

[illegible]

M & G Group (y)(c)(z)

[illegible]

Manulife Management Ltd.

[illegible]

Mayflower Management Co. Ltd.

[illegible]

Mercury Fund Managers Ltd.

[illegible]

Midland Bank Group Unit Trust Managers Ltd.

[illegible]

Minster Fund Managers Ltd.

[illegible]

MLA Unit Trust Mngmnt. Ltd.

[illegible]

Murray Johnstone U.T. Mgmt.

[illegible]

Mutual Unit Trust Managers (a)(g)

[illegible]

National Provident Inv. Mngrs. Ltd.

[illegible]

National Westminster (a)

[illegible]

NEL Trust Managers Ltd. (a)(g)

[illegible]

Northgate Unit Trust Managers Ltd.

[illegible]

Norwich Union Insurance Group (b)

[illegible]

Pearl Trust Managers Ltd. (a)(g)(z)

[illegible]

Pelican Units Admin. Ltd. (g)(x)

[illegible]

Perpetual Unit Trust Mngmt. (a)

[illegible]

Practical Invest. Co. Ltd. (y)(c)

[illegible]

Provincial Life Inv. Co. Ltd.

[illegible]

Prudl. Portfolio Mngrs. Ltd. (a)(b)(c)

[illegible]

Quilter Management Co. Ltd.

[illegible]

Reliance Unit Mgrs. Ltd.

[illegible]

Ridgefield Management Ltd.

[illegible]

Rothschild Asset Management (a) (g)

[illegible]

Rowan Unit Trust Mngt. Ltd. (a)

[illegible]

Royal Tst. Can. Fd. Mgrs. Ltd.

[illegible]

For Save & Prosper see ...

Save & Prosper Group

[illegible]

Schlesinger Trust Mngrs. Ltd.

[illegible]

Scottish Equitable Fnd. Mgrs. Ltd.

[illegible]

Security Selection Ltd.

[illegible]

SIMCO Money Funds

[illegible]

Stewart Unit Tst. Managers Ltd.

[illegible]

Sun Alliance Fund Mngt. Ltd.

[illegible]

Target Tst. Mngrs. Ltd.

[illegible]

Tower Unit Trust Mngt. Ltd.

[illegible]

Trades Union Unit Tst. Managers

[illegible]

Transatlantic and Gen. Secs. Co.

[illegible]

Trident Funds

[illegible]

Tyndall Managers Ltd.

[illegible]

TSB Unit Trusts (y)

[illegible]

Ulster Bank

[illegible]

Unit Trust Account & Mgmt. Ltd.

[illegible]

Wieler Growth Fund

[illegible]

INSURANCE PROPERTY BONDS

Abbey Life Assurance Co. Ltd.

[illegible]

Albany Life Assurance Co. Ltd.

[illegible]

AMEV Life Assurance Ltd.

[illegible]

Barclays Life Assur. Co. Ltd.

[illegible]

Black Horse Life Ass. Co. Ltd.

[illegible]

Canada Life Assurance Co.

[illegible]

Cannon Assurance Ltd.

[illegible]

Capital Life Assurance

[illegible]

Charterhouse Magna Gp.

[illegible]

Chieftain Assurance Funds

[illegible]

City of Westminster Assurance

[illegible]

Commercial Union Group

[illegible]

Confederation Life Insurance Co.

[illegible]

Cornhill Insurance Co. Ltd.

[illegible]

Credit & Commerce Insurance

[illegible]

Crown Life

[illegible]

Crusader Insurance Co. Ltd.

[illegible]

Eagle Star Insur./Midland Assur.

[illegible]

Equity & Law Life Ass. Soc. Ltd.

[illegible]

Equity & Law (Managed Funds) Ltd.

[illegible]

Family Assurance Society

[illegible]

Assicurazioni GENERALI S.p.A.

[illegible]

General Portfolio Life Ins. C. Ltd.

[illegible]

Growth & Sec. Life Ass. Soc. Ltd.

[illegible]

Guardian Royal Exchange

[illegible]

Hambro Life Assurance Limited

[illegible]

Hearts of Oak Benefit Society

[illegible]

Henderson Administration

[illegible]

Hill Samuel Life Assur. Ltd.

[illegible]

Imperial Life Ass. Co. of Canada

[illegible]

Irish Life Assurance Co. Ltd.

[illegible]

King & Shaxson Ltd.

[illegible]

Langham Life Assur. Co. Ltd.

[illegible]

Legal & General (Unit Assur.) Ltd.

[illegible]

Legal & General Prop. Fd. Mgrs. Ltd.

[illegible]

Life Assur. Co. of Pennsylvania

[illegible]

Lloyds Life Assurance

[illegible]

London A'deen & Nthn. MH. Assur. Ltd.

[illegible]

London Indemnity & Gnl. Ins. Co. Ltd

[illegible]

London Life Linked Assur. Ltd.

[illegible]

The London & Manchester Ass. Gp.

[illegible]

M & G Group

[illegible]

Manufacturers Life Insurance Co.

[illegible]

Merchant Investors Assurance

[illegible]

NEL Pensions Ltd.

[illegible]

NPI Pensions Management Ltd.

[illegible]

New Zealand Ins. Co. (UK) Ltd.

[illegible]

Norwich Union Insurance Group

[illegible]

Pearl Assurance Co. Ltd.

[illegible]

Phoenix Assurance Co. Ltd.

[illegible]

Planned Savings Group

[illegible]

Prop. Equity & Life Ass. Co.

[illegible]

Property Growth Assur. Co. Ltd.

[illegible]

Providence Capitol Life Assc. Co. Ltd.

[illegible]

Provincial Life Assurance Co. Ltd.

[illegible]

Prudential Pensions Limited

[illegible]

Reliance Mutual

[illegible]

Rothschild Asset Management

[illegible]

Royal Insurance Group

[illegible]

Save & Prosper Group

[illegible]

Schroder Life Group

[illegible]

Scottish Widows' Group

[illegible]

Skandia Life Assurance Co. Ltd.

[illegible]

Standard Life Assurance Company

[illegible]

Sun Alliance Fund Mangmt. Ltd.

[illegible]

Sun Alliance Linked Life Ins. Ltd.

[illegible]

Sun Life of Canada (UK) Ltd.

[illegible]

Sun Life Unit Assurance Ltd.

[illegible]

Target Life Assurance Co. Ltd.

[illegible]

Transinternational Life Ins. Co. Ltd.

[illegible]

Trident Life Assurance Co. Ltd.

[illegible]

Tyndall Assurance/Pensions (a)(b)(c)

[illegible]

Vanbrugh Life Assurance

[illegible]

Vanbrugh Pensions Limited

[illegible]

Welfare Insurance Co. Ltd.

[illegible]

Windsor Life Assur. Co. Ltd.

[illegible]

OFFSHORE & OVERSEAS FUNDS

Albany Fund Management Limited

[illegible]

Alexander Fund

[illegible]

Allen Harvey & Ross Inv. Mgt. (C.I.)

[illegible]

Alliance International Dollar Reserves

[illegible]

Arbuthnot Securities (C.I.) Limited

[illegible]

Bank of America International S.A.

[illegible]

Banque Bruxelles Lambert

[illegible]

Barbican Managers (Jersey) Ltd.

[illegible]

Barclays Unicorn International

[illegible]

Bishopsgate Commodity Ser. Ltd.

[illegible]

Bridge Management Ltd.

[illegible]

Britannia Intl. Investment Mngt. Ltd.

[illegible]

Brown Shipley Tst. Co. (Jersey) Ltd.

[illegible]

Butterfield Management Co. Ltd.

[illegible]

Capifinex S.A.

[illegible]

Capital Asset Managers Ltd.

[illegible]

Capital International Fund S.A.

[illegible]

Charterhouse Japhet

[illegible]

Clarendon Commodities (Isle of Man) Ltd.

[illegible]

Clive Investments (Jersey) Ltd.

[illegible]

Cornhill Ins. (Guernsey) Ltd.

[illegible]

Cortexa International

[illegible]

Craigmount Fixed Int. Mngrs. (Jersey)

[illegible]

DWS Deutsche Ges. F. Wertpapiersp

[illegible]

Delta Group

[illegible]

Deutscher Investment-Trust

[illegible]

Dreyfus Intercontinental Inv. Fd.

[illegible]

Emson & Dudley Tst. Mgt. Jrsy. Ltd.

[illegible]

The English Association

[illegible]

Eurobond Holdings N.V.

[illegible]

F & C Mgmt. Ltd. Inv. Advisers

[illegible]

Fidelity International Ltd.

[illegible]

First Viking Commodity Trusts

[illegible]

Fleming Japan Fund S.A.

[illegible]

Continued on previous page

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

INTERNATIONAL BANK

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

1980-81 High	Low	Stock	Price £	+ or –	Int.	Red.
94¾	82¼	Aust. 5½pc '81-82	94¾	+⅛	5.92	13.29
85¼	72½	Do. 6pc 1981-83	85	+¼	7.15	12.95
67¾	58	N.Z. 7¼pc 1988-92	64¾	......	11.31	13.51
82¼	72	Do. 7½pc '83-86	78¾	......	9.65	13.45
98	88	Sth. Africa 9½pc '79-81	98	......	9.94	15.96
160	95	S. Rhod. 2½pc Non-Ass.	121	......	—	—
50	31	Do. 3½pc 80-85 Asstd.	47	......	7.77	23.60
32	20½	Do. 4½pc 87-92 Asstd.	28xd	......	16.07	22.20
381	270	Zimbabwe Ann (£100pd)	365	......	—	24.81

LOANS

Public Board and Ind.

Financial

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CANADIANS

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Hire Purchase, etc.

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Copper

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180	78½	Anglo-Dominion	150	-3	—	—	—
97	43	Berymam	43	......	—	—	—
17	12	Burma Mines 10p	15½	......	0.62	1.1	5.8
445	53	Colby Res. Corp.	250	......	—	—	—
502	210	Cons. Murch. 10c.	210	-10	030c	1.8	8.2
180	75	††Hemerdon 10c.	77	......	—	—	—
225	36	Highwood Res.	165	......	—	—	—
585	315	Northgate C$1	315	......	—	—	—
*436	322	R.T.Z.	378	+5	036.0	3.2	6.0
£115	£94½	[illegible]	£94½	-1	08½%	—	10.2
158	91	††SPO Minerals 10p	137	+1	—	—	—
58	26	Sabina Inds. C$1	37	......	—	—	—
51	29	††SWCM 10p	34	......	—	—	—
650	411	Tara Expln. $1	470	......	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(2)(a); not listed on any Stock Exchange and not subject to any listing requirements.
- ‡‡ Dealt in under Rule 163(3).
- ∮ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ☆ Not comparable.
- ♤ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ✝ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ** Regional price.
- ‖ No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1981-82. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1980-81. K Figures based on prospectus or other official estimates for 1979-80. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1981. P Figures based on prospectus or other official estimates for 1980-81. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	40	......	IRISH		
Bertam	12	......	Conv. 9% '80/82	£93¾	......
Bdg'wtr. Est. 50p	555	+8	Nat. 9¾% 84/89	£75¾	......
Craig & Rose £1	£11¼	......	Fin. 13% 97/02	£86¾	......
Fife Forge	41	......	Alliance Gas	58	......

OPTIONS

3-month Call Rates

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 24

FINANCIAL TIMES
Wednesday February 4 1981

Stansted fears 'may be overstated'

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

STANSTED AIRPORT, Essex, if developed to a capacity of 15m passengers a year from the present 275,000, would have a far less severe impact upon the local environment than many had feared.

The increase in direct employment required would be comparatively small, to about 21,000 workers, and the number of new dwellings required would total about 6,000 at most.

Thus, a "New Town"—the development most people had feared—would not be needed in the area.

This emerges from the 100-page "*Statement of Case*," prepared by the British Airports Authority in advance of the Public Planning Inquiry ordered by the Government into the plans for the airport.

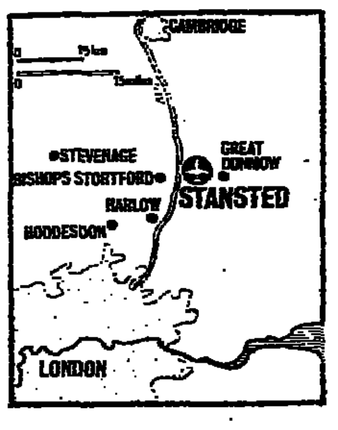
The inquiry is due to start next September, and promises to be one of the longest—between six and nine months—and most acrimonious of planning inquiries yet held, with bitter opposition to Stansted from local residents and authorities.

But the BAA's case is that the development of Stansted to a capacity of 15m passengers a year will be needed to meet the growing demand for air travel in the period to 1995.

By then 87.2m air passengers a year will be moving through the London area, compared with 39.1m in 1979. But airport capacity, without Stansted, would only be capable of handling 68.5m passengers—and that includes the fourth terminal at Heathrow (now approved) and the second terminal at Gatwick (for which approval is still awaited).

The BAA believes it is necessary to develop Stansted to 15m passengers a year to bridge the gap. Development beyond that level, and after 1995, remains uncertain, but if demand continues to grow the BAA would have to seek approval to expand the airport further, up to a capacity of 50m passengers a year.

For the initial development, however, the BAA says studies by its independent consultants have shown that the airport's employment and other needs would be smaller than many had suggested.



Direct employment on the airport would rise from 1,800 to about 21,000. If employment involved in the off-airport service and other industries is also taken into account, a total additional employment of about 27,600 would result by the late 1980s, when the redeveloped airport would be fully operational.

The study shows that possibly up to 70 per cent of these workers would come from the immediate surroundings, so that the number of workers moving into the area and requiring homes would be comparatively small.

The study puts the maximum number of new dwellings required at about 6,000, which compares with 120,000 dwellings built in the area over the past 30 years.

The BAA recognises that these figures may be vigorously disputed, and it is publishing within about ten days the detailed reports of its independent consultants who studied these factors.

But its broad conclusion on the housing front is that, contrary to many fears, a "new town" of substantial size would not be needed for the initial proposed development of the airport.

**BAA Statement of Case on development of Stansted Airport available from 2 Buckingham Gate, London.*

Details, Page 5

AIR TRANSPORT DEMAND IN THE LONDON AREA

	Actual 1979	Planning forecasts 1985	1990	1995
Terminal passengers (millions per year)	39.1	53.2	70.2	87.2
Aircraft movements (000s)	408	443	519	572
Cargo (000 metric tonnes)	641	848	1,190	1,616

CBI calls for £2½bn tax cuts in Budget

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

TAX CUTS worth nearly £2bn a year to UK industry should be introduced in next month's Budget and the Government should take urgent steps to bring down the levels of interest rates and sterling, the Confederated British Industry said yesterday.

The proposals form the main part of the CBI's annual Budget submission. Published on the eve of today's macro-economic debate at the National Economic Development Coucil, where the Prime Minister will be in the chair.

The proposals come at a time when industrialists want substantial help from the Government but do not want to cause too much political embarrassment for the Prime Minister and her colleagues.

In a bid to design a stimulus for industry without undermining the Government's economic policy, the CBI has rejected the £6bn reflationary package proposed by the TUC to concentrate on the two main tax proposals.

The first is a cut of 2 percentage points in the 3½ per cent National Insurance Surcharge. This could come into force in mid-summer and would cost the Government £1bn in 1981-82 and £1.6bn in a full year.

The second is abolition of the 3.5p a gallon duty on heavy fuel oil, which would cost £300m.

Details, Page 7
Editorial Comment, Page 14

Polish leader attacks union

BY ANTHONY ROBINSON

ATTACKS on the independent Polish trade union Solidarity reached a new intensity yesterday as Mr. Stanislaw Kania, Polish Communist Party secretary, accused "certain leaders" of turning the union into a political opposition party. His assault followed signs that Moscow expected the Polish authorities to act against "counter-revolution."

Mr. Kania accused solidarity of having violated undertakings that it would not act as a political party. Addressing members of a party commission preparing the forthcoming extra-ordinary party congress, he said: "We are facing manifestations of anarchy with instances of diarchy [dual rule] and the transformation of an organisation that proclaimed itself to be a trade union into one far removed from what is laid down in its statutes.

"We cannot ignore, or accept," he added later, "the fact that Solidarity is being steered in the direction of a political opposition at the behest, not of workers but of instigators."

He also referred to the need of the party to restore discipline within its own ranks and raised the question of party members participation in strike action. "Should party members take part in such strikes, should party discipline be sen to operate there?" he asked, concluding: "Such strikes deal a blow to the interests of Socialist Poland and of the workers."

His views were echoed by Mr. Stefan Olszowski, a member of the party politburo, who charged that "advocates of chaos and destruction" were masterminding "political prestige strikes."

Mr. Olszowski also lifted the veil on the bitter factional fighting now taking place in the Polish Communist Party as pre-congressional manoeuvring over procedure, policies and the composition of the new central committee reach a high pitch. Mr. Olszowski revealed that some factions within the party were advocating sweeping political reforms which the leadership regarded as "unacceptable."

The party, which is believed to have lost nearly a million members over the past few months, is deeply divided between the professional party apparatus men and those arguing for fundamental reforms.

Much will depend on the outcome of procedural wrangling over the form of balloting and the congress election rules.

Mr. Kania's own position could also be closely tied up with the result of the congress, the date of which has not been fixed. During his last visit to Moscow on December 5, he is believed to have received the qualified approval of the Soviet politburo for his policy of compromise. However, the Soviet Union has recently indicated its support for General Mieczyslaw Moczar, the former Interior Minister under Gomulka.

Before the Polish party meets, the Soviet Union's Communist Party will hold its own congress starting on February 23.

Poland's credibility gap, Page 15

Continued from Page 1

Neutron bomb

in the South Pacific and there has been virtually no criticism in the Soviet Press. The U.S. is not expected to enjoy the same immunity.

A major Soviet propaganda campaign is regarded as all but inevitable. The Soviet Union, which was joined, for different reasons, by members of the European Left, had great success in attacking the neutron bomb as an "inhumane" weapon four years ago, particularly in the smaller NATO *countries*

The neutron weapon falls outside the scope of the SALT talks and is not necessarily expected to have an adverse effect on the prospects for arms control other than in the sense that the political climate is bound to deteriorate further.

The Soviet Union has suggested the mutual renunciation of neutron weapons, which it is believed not to possess, and this proposal will probably be raised again.

CEGB asks for water reactor

BY MARTIN DICKSON, ENERGY CORRESPONDENT

A FORMAL application for permission to build Britain's first pressurised water reactor nuclear power station has been submitted to the Government by the Central Electricity Generating Board.

The plant would be at Sizewell, on the Suffolk coast, next to a 14-year-old Magnox nuclear station. It would have a generating capacity of 1,200 MW, cost about £1bn and have a nuclear steam supply system based on technology developed by Westinghouse Electric of the U.S.

The CEGB wants a pressurised water reactor so that UK nuclear strategy is not dependent on one reactor system. Until now, UK reactors have been gas-cooled, with carbon dioxide transferring the heat from the reactor core to the boilers. The PWR core is cooled by water maintained under pressure.

Government support for the construction of at least one PWR — subject to safety and other clearances—was given by Mr. David Howell, Energy Secretary, in a major statement on nuclear power 14 months ago. He saw the PWR as the first of about 10 stations of unspecified design that might be built in Britain from 1982-92.

The CEGB's application sets in motion the planning inquiry process for the new station.

The PWR is the most widely used reactor in the world, but its introduction to Britain is likely to face strong opposition from the anti-nuclear movement.

A PWR was involved in the accident at Three Mile Island, the U.S. station in Pennsylvania, two years ago but CEGB officials point out that the American station was not of the Westinghouse design.

A planning inquiry is expected to be held next year. It will be the UK's first major nuclear inquiry since the 1977 examination of British Nuclear Fuels' plan to extend its Windscale plant.

The Government has yet to decide what form the PWR inquiry will take. It may opt for a straightforward local public inquiry on the lines of Windscale or last year's Vale of Belvoir coal-mining inquiry.

Friends of the Earth, the environmentalist pressure group, said yesterday that it opposed the construction of the PWR, particularly on safety grounds. But the group said it was leaving open the question of formal participation in a public inquiry as it might not be given enough time to study the safety documents.

Nuclear power in trouble and editorial comment, Page 14

Weather

UK TODAY

COLD, showers. Snow on high ground.

London, S.E. and C.S. England, E. Anglia, Midlands, Channel
Cloudy. Rain at first. Bright intervals later, with showers. Max. temp. 5C (41F).

Rest of England, Wales, N. Ireland, Borders, Edinburgh, Dundee
Sunny intervals. Showers. Snow on high ground. Max. temp. 6C (43F).

Most of Scotland, Orkney, Shetland
Sunny intervals. Snow showers. Max. temp. 3C (37F).

Outlook: Cold. Sunny intervals, snow showers, becoming warmer with rain or sleet.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	13	55	London	C	10	50
Algiers	C	13	55	L. Ang.†	F	12	54
Amsdm	S	7	45	Luxmbg.	R	2	36
Athens	S	14	57	Madrid	S	7	45
Bahrain	S	19	66	Majorca	S	14	57
Barclna.	S	13	55	Malaga	S	12	54
Beirut	S	16	61	Malta	S	13	55
Belfast	R	5	41	M'chstr.	S	7	45
Belgrd.	S	12	54	Melbne.	S	37	99
Berlin	R	6	43	Mx. C†		—	—
Biarritz	F	12	54	Miami†	F	11	52
Bmghm.	C	9	48	Milan	F	10	50
Blackpl.	C	7	45	Montrl.†	F	−16	3
Bordx.	C	10	50	Moscow	C	2	36
Boulgn.	C	8	46	Moscow	C	2	36
Bristol	R	9	48	Munich	C	7	45
Brussels	R	7	45	Nairobi	S	28	82
Cairo	C	16	61	Naples	C	10	50
Cardiff	F	7	45	Nwcstl.	F	13	55
Cas'b'ca	S	13	55	N York†	F	−6	21
Cape T.	S	25	77	Nice	S	13	55
Chicg.†	F	−20	−4	Nicosia	S	15	59
Cologne	R	6	43	Oporto	F	11	52
Cpnhgn.	C	3	37	Oslo	F	2	36
Corfu	C	12	54	Paris	R	8	46
Denver†	F	−9	16	Perth	S	24	75
Dublin	C	8	46	Prague	C	5	41
Dbrvnk.	S	13	55	Reykjvk.	F	−5	23
Ednbgh.	F	4	39	Rhodes	S	16	61
Faro	S	14	57	Rio J'o†		—	—
Florence	S	7	45	Salzbrg	F	5	41
Frankft.	Sl	2	36	S F'cisc†	F	6	43
Funchal	S	16	61	Singapr.	F	25	77
Geneva	F	4	39	S'tiago†		—	—
Gibraltar	S	15	59	Stckhm.	C	2	36
Glasgow	C	5	41	Strasbg.	R	5	41
G'rnsey	R	9	48	Sydney	C	26	79
Helsinki	Sl	1	34	Tangier	S	16	61
H. Kong	C	20	68	Tel Aviv	F	16	61
Innsbrk.	F	4	39	Tenerife	F	13	55
Invrnss.	F	3	37	Tokyo	F	6	43
I.o Man	C	7	45	T'ronto†	F	−16	3
Istanbul	S	9	48	Tunis	F	13	55
Jersey	R	9	48	Valencia	S	16	61
Jo'burg	R	20	68	Venice	S	8	46
L. Plms.	F	18	64	Vienna	C	4	39
Lisbon	S	12	54	Warsaw	C	8	46
Locarno	C	8	46	Zurich	C	3	37

C—Cloudy. F—Fair. R—Rain. S—Sunny. Sl—Sleet
† Noon GMT temperatures.

Continued from Page 1

Bundesbank

money markets.

The Swiss National Bank was also believed to have joined in intervention yesterday to support the Swiss franc, which closed in London at SwFr 1.9350 from SwFr 1.9210 on Monday.

The U.S. Federal Reserve also appeared to be selling dollars in New York.

One reason for the D-mark's rally later in the day was speculation that the Bundesbank would increase its discount or Lombard rates when its decision-making central council meets on Thursday. Such a step would, however, be controversial, as the Bundesbank has been under pressure for months to cut interest rates to stem the domestic economic decline.

Christopher Lorenz adds from Davos: Herr Karl Otto Poehl, the Bundesbank governor, and Dr. Fritz Leutwiler, president of the Swiss National Bank, yesterday attacked the practice in other countries of keeping their exchange rates artificially high through foreign borrowing.

Bid likely for Alcan Aluminium (UK)

BY ROY HODSON AND JOHN MOORE

ALCAN ALUMINIUM of Canada, the Montreal-based aluminium group, is considering making an offer for more than 10m shares in Alcan Aluminium (UK), its UK subsidiary.

The Canadian group owns 78 per cent of the UK company's equity. The deal, if it proceeds, would give it full ownership.

On the London stock market the shares of Alcan (UK) were suspended at the company's request on the opening of business. The suspension price was 52p, which placed a value of nearly £24m on the entire group.

The outstanding block of shares which the Canadian group wants to buy is valued at £5.2m on the suspension price.

A brief statement yesterday said discussions were taking place between the two companies. They "may or may not lead to an offer."

The talks are understood to have been in progress for a few weeks. A further announcement may be made by the end of this week. The statement was rushed out after hectic dealings in Alcan's shares on Monday. They showed a rise of 4p to 52p.

The preliminary Alcan Aluminium (UK) results for 1980 are due on February 26. The figures are expected to show a loss in the second half of the year which may more than cancel out the £7.2m profit before tax in the first half of 1980.

Dutch MPs seek ban on Taiwan subs deal

BY CHARLES BATCHELOR IN AMSTERDAM

THE DUTCH PARLIAMENT called yesterday for the Government to block the planned sale of two submarines to Taiwan.

In a move which could bring down the Government of Mr. Dries van Agt, MPs agreed by 77 to 70 to reverse an earlier vote and demand a review of the Cabinet's decision to grant export licences.

Parliament's decision puts into doubt the entire Fl 1bn (£185m) deal by Rijn Schelde Verolme (RSV) shipping and engineering group. It also raises the prospect of a political crisis. Mr. van Agt, the Prime Minister, said after the vote that the Government would probably announce its reaction next week.

The Cabinet has twice considered the deal, which has provoked a strong reaction from China—nicluding diplomatic and economic manoeuvres—and both times decide dthat it should go ahead. Mr. van Agt told Parliament last week that economic reprisals by China and the threat of a downgrading of diplomatic relations were not reason enough to call the deal off.

In an attempt to head off a crisis, the Prime Minister earlier promised Parliament there would be no further arms sales to Taiwan and said the Government would withold from RSV the normal export guarantees given to cover political risks.

RSV, which has received substantial Government aid over the past few years, said it was disappointed at Parliament's decision but that it would await the Government's response.

If the Government agrees to revoke its export permit for the contract—which has still to be signed—it could face a claim for damages from RSV. If it refuses to change its mind it runs the risk of a vote of no-confidence in Parliament and would almost certainly resign. Faced with similar crises in the past Mr. van Agt has been able to find a compromise and avoid the threat of Parliamentary censure.

The Chinese embassy in The Hague described the vote as reflecting the will of the Dutch people. China now expects the Government to take immediate steps to call off the delivery, an official said.

Parliament voted for rejection of the deal after several MPs from Mr. van Agt's Christian Democratic Party, concerned at the strength of the Chinese reaction, changed their minds over the wisdom of the sale. Eleven of the 49 Christian Democrats in Parliament voted with the Left-wing opposition parties in favour of calling off the deal.

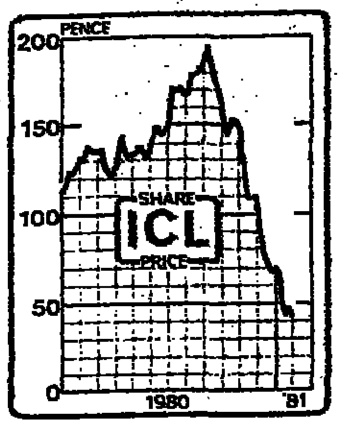
Parliament has also put in question the non-military part of the RSV contract, which includes equipment for conventional and nuclear power stations. A majority of MPs called on the Government to prevent the sale of sensitive nuclear components to Taiwan.

THE LEX COLUMN

ICL dives into the red

Yesterday's surge in the F.T. 30-Share Index was concentrated in the leaders, and the All-Share Index scored a much more modest gain of 0.7 per cent. Still, the rise of some 30 points by the 30-share since useful mid-January adds up to a useful rally, and timely for the Government with the British Aerospace offer being underwritten today.

Index rose 9.0 to 476.6



ICL

The pressure on ICL is intensifying. At yesterday's annual meeting the company revealed that its current trading performance is more depressed than the most gloomy of outside forecasts had been suggesting. The pre-tax loss has been £20m in the first quarter, and will be perhaps £10m or £15m in the subsequent three months. The company hopes to achieve break-even in the second half, but this could be optimistic since in the early stages of the UK economic recovery on which ICL is banking the first priority of customers will be to restore liquidity rather than spend heavily on capital equipment. So the pre-tax loss for the year will be at least £30m, and could be considerably more.

The company has remained as coy as ever about the cash flow implications. Last year there was an overall outflow approaching £100m (including export credits and the unconsolidated financing offshoots), associated with a pre-tax profit of £25.1m. To some extent the company was caught out by late orders and a higher level of stocks than normal in September, and it has since managed to unwind some of this increase in working capital requirements. This is probably the main reason that the cash outflow in the first quarter has been held to last year's level.

But working capital pressures are likely to build up again from now on, and the closure of Winsford will cost at least £10m net. Meanwhile there seems to be little capacity left in the leasing offshoots and the company will presumably return to renting equipment on its own balance sheet. In a full year it would be no surprise to see another £100m cash outflow.

By next September, on this basis, net debt would be pushed up to £250m or so, compared with shareholders' funds that are set to fall from £141.4m to nearer £100m. Small wonder that Barclays fired a warning shot yesterday that while existing borrowing facilities were adequate for the time being, the supporting banks would want to see appropriate plans for tackling the "problems." At the very least a major shake-up of the company is in the offing. Unless a white knight can be found—and apparently several companies have spurned the role already—it will become increasingly difficult for the Government to remain detached.

Alcan

Alcan Aluminium (UK) could turn out to be a classic example of the perils of being a minority shareholder in a foreign owned company. After just over two years as an independently quoted company, the Canadian parent is contemplating a bid for the outstanding shares—and it seems possible that the end of this story will be as unsatisfactory as the earlier episodes.

When financing its UK smelter in 1969, Alcan issued a loan stock with rights to convert into shares in what was then the wholly owned UK subsidiary. The conversion period ran from 1975 to 1980, and in 1977 and 1978 the UK company paid a big enough dividend to make conversion appear attractive. But no sooner had everyone converted than—in 1979—the dividend was cut back sharply. And depressed by warnings of a big loss in the second half of 1980, the shares now stand close to an all-time low at 52p, which is little more than half the nominal value of the old loan stock.

It would be wrong to be too rude about the Canadian parent's motives inall this, since in 1978 it could not have foreseen the scale of the current recession in the UK aluminium industry. And it certainly makes sense to buy out the minority, since the shares have lost any value they might have had in terms of public relations or as bid currency. But unless the Canadian company makes a visibly generous offer, this story will leave a very sour taste.

Minority shareholders apart, Alcan (UK) has not had a happy commercial record. Whereas British Aluminium decided in the early 1970s to concentrate on product areas with a relatively high value added, Alcan remained ahead in competition with the continentals in bulk standard products. Though it has sometimes made bigger profits than its rivals at the top of the cycle, it has invariably suffered much more during the down-swings.

Thus British Aluminium is likely to have made a profit in the second half of 1980, despite sharp falls in export volumes and prices in the second half of the year. Against keen Deutsche Mark-linked competition, export prices for the industry fell by up to a fifth in sterling terms between June and December. Domestic volume may at last be flattening out, but importers are now showing their teeth.

Currencies

The international financial markets continued to be highly nervous yesterday, with the debate over dollar interest rates — centring on the potential policy clash between the Reagan Administration and the Federal Reserve — still the dominating factor. Yesterday the Fed's Open Market Committee met against the background of early U.S. Government economic proposals, with the President due to make a television speech tomorrow. Full details are to be presented to Congress in two weeks or so.

Further prime rate cuts — with Morgan Stanley, for instance, moving down half a point to 19½ per cent — seem to have been enough to trigger off a bout of profit-taking in the dollar last night, with sterling bouncing back to above the $2.35 mark. But prime rates tend to be lagging indicators, and in New York attention has been focused on the rise in the federal funds rate from the slightly lower level seen last week.

Whether the fed funds rate is 17 or 19 per cent does not matter too much. It will require a fall to much lower levels to prevent a serious squeeze of the U.S. economy. Despite moderately encouraging money supply figures last week, there is no sign yet of any sharp fall in money rates, which is why the equity market on Wall Street has once again been looking sickly this week.

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